

## This time is to be different Lesson from Argentina for EU-crisis

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In the same year in which Argentina declared the largest sovereign debt default in history, in 2001, Enron in the United States went bankrupt. The unemployment rate in Argentina rose to becoming exorbitant. The youth unemployment reached to 46.1% in 2002 (UNDP 2004: 133). The middle class slipped and found itself at once in the informal sector, as *cartonero*<sup>1</sup> or *piquetero*<sup>2</sup>. Back then, hardly anyone knew that scarce ten years later, with 300,000 people, Stockton would be the largest U.S. city ever to declare bankruptcy and Detroit, once the capital of the car industry, was just before. With Iceland the first *corralito*<sup>3</sup> swept over Europe. Suddenly there are "bottles pirates"<sup>4</sup> and *cartoneros* in Germany. In Detroit the jobless persons try to survive with the establishment of community gardens. While the unemployment figures increase in the E.U., they have fallen down in Argentina (table 1).

**Table 1: Open urban unemployment rate Argentina in comparison (2001 – 2011)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Argentina	17,4	19,7	17,3	13,6	11,6	10,2	8,5	7,9	8,7	7,7	7,2
Brazil	6,2	11,7	12,3	11,5	9,8	10,0	9,3	7,9	8,1	6,7	6,0
Greece	10,7	10,3	9,7	10,5	9,9	8,9	8,3	7,7	9,5	12,5	17,7
Spain	10,5	11,4	11,4	10,9	9,2	8,5	8,3	11,3	18,0	20,1	21,7
Italy	9,0	8,5	8,4	8,0	7,7	6,8	6,1	6,7	7,8	8,4	8,4
Ireland	3,9	4,5	4,6	4,5	4,4	4,5	4,6	6,3	11,9	13,7	14,4
U.S.	4,7	5,8	6,0	5,5	5,1	4,6	4,6	5,8	9,3	9,6	8,9

Source: Eurostat, at:

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/images/9/97/Unemployment\\_rate%2C\\_2001-2011\\_%28%25%29.png](http://epp.eurostat.ec.europa.eu/statistics_explained/images/9/97/Unemployment_rate%2C_2001-2011_%28%25%29.png), access on April 28<sup>th</sup> 2013.

ECLAC, at: [http://www.eclac.org/de/publicaciones/xml/5/46825/2012-282-ECLAC-OIT\\_6\\_WEB.pdf](http://www.eclac.org/de/publicaciones/xml/5/46825/2012-282-ECLAC-OIT_6_WEB.pdf), access on April 28<sup>th</sup> 2013.

Bureau of Labor Statistics, at:

[http://data.bls.gov/timeseries/LNU04000000?years\\_option=all\\_years&periods\\_option=specific\\_periods&periods=Annual+Data](http://data.bls.gov/timeseries/LNU04000000?years_option=all_years&periods_option=specific_periods&periods=Annual+Data), access on April 28<sup>th</sup> (own production).

### Argentina's default and economic recovery

The current E.U.-crisis did not show up surprisingly. Not only the Scandinavian banking crisis was a precursor. In particular, the Mexican and Asian crisis (1997), the collapse of the LTCM hedge fund in 1998, the Russian crisis and also the bursting of the internet bubble

<sup>1</sup> The *cartoneros* sift through the garbage every day, in order to find recyclable materials, which they can sell. Sometimes they work united in a cooperative.

<sup>2</sup> The *piqueteros* draw attention to their bad situation and fight for their unemployment benefits as street fighters, with unauthorized demonstrations. In order to call the attention of the politicians and to be added on the lists of social benefits, they organize themselves in their slums and chose a leader who negotiates with the political power (Hille 2009: 5).

<sup>3</sup> The access to bank deposits is limited or totally blocked for customers.

<sup>4</sup> The *Flaschenpiraten* collect bottles in order to get paid the deposit.

from 1997 to 2002 could be warning signs. Beginning with the Dutch tulip mania's crash in 1936/37 in the history of mankind there are dozens of financial crises, whereas the world economic crisis after 1929 was certainly the most serious one (Otte 2010: 90)<sup>5</sup>. A warning could have also been the Argentine crisis of 2001. In this dramatic situation, the country, which was not part of any supranational organization, ended up declaring its unilateral default. It was the second time in its younger history. The first time was in 1890 in the course of the Baring Crisis, as the most famous sovereign debt default of the 19th century (table 2).

**Table 2: Argentina's crisis**

Crisis	Start	End	Strength (%)
1880	1880	1881	-6,32
Baring	1890	1891	-19,22
WW1st	1913	1917	-34,17
1930s	1930	1932	-20,43
Institucional	1962	1963	-7,00
Rodrigazo	1975	1976	-4,01
Debt	1981	1982	-11,29
Hyperinflation	1988	1990	-12,66
Convertibilidad	1999	2002	-24,13

Source: United Nations Development Program, at: [http://www.undp.org.ar/docs/Libros\\_y\\_Publicaciones/ARG\\_LargoPlazo\\_interior\\_12-28.pdf](http://www.undp.org.ar/docs/Libros_y_Publicaciones/ARG_LargoPlazo_interior_12-28.pdf), access on April 17<sup>th</sup> 2013.

The default in 2001 happened after a devaluation of the credit indicator, a billionaire flight of capital and the withdrawal of IMF aid package. The resignation of President De la Rúa and various interim presidents followed a complete cessation of payments. It was only when Argentina broke down the 1:1 parity, uncoupled and depreciated the currency from the U.S. Dollar that the country could recover. Previously, it had temporarily come to the use of parallel currencies to bypass the hard line of the *ley de convertibilidad* (1991). After the default Argentina became the fastest growing economy in the Americas. Nevertheless, uncoupling the Peso from the Dollar, the foreign debt did also increase (similar to e.g. the Nordic crisis)<sup>6</sup>.

As a consequence Argentina entered in a debt restructuring negotiation in 2002 and got the first bond exchange in 2005, where most of the bondholders did agree on a debt reduction (more than 90% exchange bondholders). In 2010 a second debt restructuring took place. In order to proceed with a policy of financial independence, the country did pay its full debt with the IMF until 2006. The holdout bondholders (mainly hedge funds) started litigation efforts against the country. The most famous comes from NML Capital, a subsidiary of Elliot Associates. In 2012 the hedge funds impounded Argentina's naval vessel, Libertad, in Ghana, in order to pressure for payments. The vessel was finally released by the International Tribunal for the Law of the Sea and returned to Argentina in 2013<sup>7</sup>. In this case Anne Krueger

<sup>5</sup> The resulting rules of Bretton Woods were, however, after 1971, when U.S. President Nixon abolished the convertibility of the dollar into gold, gradually abolished in the wake of liberalization (Otte 2010: 97).

<sup>6</sup> After the experience of the Nordic banking crisis of the 1990s, Sweden for example introduced a bank fund: In good times, they should pay there to fall back on in times of crisis, without taxpayers must step in (Hofinger 2011: 149).

<sup>7</sup> Now Ghana claims around eight million US\$ to the hedge funds, for the costs to keep the vessel (Pagina 12, June 30<sup>th</sup> 2013).

took position for Argentina saying that it would be no good to give special treatment to those who did not enter into the restructuring process (Pagina12, Jan 5<sup>th</sup> 2013). Also the OHCHR did warn, that “successful debt restructuring for deeply indebted countries will be made impossible if vulture funds are allowed to paralyze debt relief [...] NML Capital already won a case against Peru in 2000, recovering 400% of what the fund paid for the country’s distressed debt.”<sup>8</sup>

(<http://www.ohchr.org/EN/Issues/Development/IEDebt/Pages/IEDebtIndex.aspx>, access on April 28<sup>th</sup> 2013).

Now the “age of austerity” did reach Europe. While the continent is overwhelmed by the crisis, Argentina or other countries are already used to such kind of economic disasters. In 1989 Alfonsín was forced to resign because of hyperinflation, which was over 200%<sup>9</sup>. In order to pay the inherited debt burden of the military dictatorship Argentina borrowed money from international creditors. Strictly following the conditions of IMF, under Menem and his economy minister Cavallo the state took over the liabilities of large multinational and national companies and pushed forward for privatization. Until 1994, 90% of all state-owned enterprises were privatized and about 700,000 people fired<sup>10</sup>. Menem reasoned his actions with the high indebtedness of the country that, however, under his government continued to rise: Between 1996 and 1998 the Argentine foreign debt rose almost 20% and could just be paid off by taking new credits (Hille 2009b: 75).

It was a historical break with the values of the Peronist movement, that Menem did privatize all goods nationalized under Perón, e.g. the rail lines. Just after the default of 2001 Argentina did, also in the sense of Rüstow (1949: 37), socialize “all sectors of the economy, that have an inevitable monopoly structure, for natural, technical or other reasons, as in particular the railways and public utilities”. In 2012 it was the petroleum, in the years before the mail, the water plants etc.. Until nowadays, there does exist a free education and health care: Every citizen, regardless of their origin, at any time and always free of charge may be treated without presentation of any document.

While in 2005 still 80% of the loan amount were allocated by the IMF to Latin America, in 2007 it was only 1% (Klein 2007: 645). Currently no country of the BRIC is indebted with the IMF and in 2013 the BRIC did create their own Development Bank. Now Europe, a traditional no IMF client borrows money (table 3). In the EU-crisis the IMF policies are for the first time enacted in line with a supranational organization<sup>11</sup>. A growing debt burden<sup>12</sup>,

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<sup>8</sup> The impotence of the People's Representatives on hedge funds became clear in 1992, when a George Soros funds could achieve a huge profit speculating with short sales against the British pound and forced the Bank of England to devalue. “The pound then dropped even from the European currency snake, which was one of the reasons that the UK has not adopted the euro” (Sinn 2009: 171).

<sup>9</sup> Already Keynes warned that there is no safer way to overthrow existing foundations of a society than the destruction of their currency. Especially hyperinflation simulates to some extent the effects of a military war: fear and confusion spread out, people flee or die in large numbers. In such a state of emergency the rules of democracy are temporarily overridden and policies that would have been unthinkable under normal circumstances, can be enforced (Klein 2007: 219).

<sup>10</sup> Repeatedly the high spending by the state is given as cause of the crisis and high public debt is said to stifle economic growth. This fact is disputed: While Reinhart and Rogoff (2010) see austerity policies in times of crisis as the only solution for recovery and re-establishment of solvency, especially at a debt ratio of 90%; Ash a.o. (2013, 2013a) are against this measure in order to prevent exorbitant unemployment.

<sup>11</sup> More than half of the IMF’s lending goes to the euro zone. Nevertheless the IMF is only a minor creditor, with less financial clout than the European Union. Although its influence in European policy making is bigger than the EU-leaders together (Ewing 2013) and according to the ESM-Treaty (European Stability Mechanism) the IMF is the preferred creditor.

with target demands, leads to xenophobia and memories of war among the citizens of the European project of integration and peace. At the same time privatizations proceed with full speed.

**Table 3: Latest Financial Arrangements at IMF in SDR million (selection)**

Country	Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Greece	EFF (Extended Fund Facility)	Mar 15, 2012	Mar 14, 2016	23,785.30	4,197.30
Portugal	EFF	May 20, 2011	May 19, 2014	23,742.00	19,126.00
Greece	Stand-By	May 09, 2010	Mar 14, 2012	26,432.90	17,541.80
Irland	EFF	Dec 16, 2010	Dec 15, 2013	19,465.80	17,374.43
Hungary	Stand-By	Nov 06, 2008	Oct 05, 2010	10,537.50	7,637.00
Iceland	Stand-By	Nov 19, 2008	Aug 31, 2011	1,400.00	1,400.00
Argentina	Stand-By	Sep 20, 2003	Jan 05, 2006	8,981.00	4,171.00

Source: IMF online: <http://www.imf.org/external/np/fin/tad/exfin2.aspx?memberkey1=360&date1Key=2013-03-31>. Financial position in the Fund as of March 31st 2013, access on April 15<sup>th</sup> 2013 (own production).

### **The *empresas recuperadas* as cooperatives**

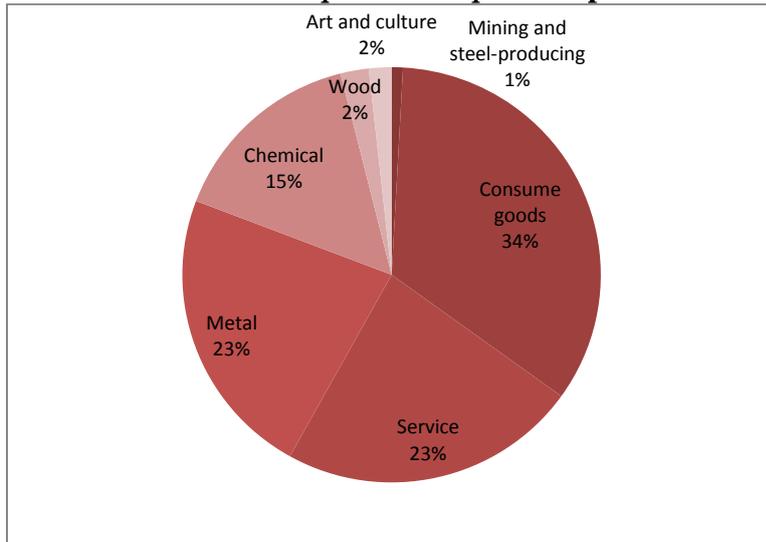
In 2001 the Argentine civil-population did not froze in a state of shock. They started to take their future into their own hand. The government under De la Rúa was forced to resign and new elections were proclaimed. In this explosive situation, some workers took over their former workplace in three steps: 1- they occupied it, 2- they negotiated their legal status, 3- they started to work<sup>13</sup>.

Most *empresas recuperadas* are located in the industrial centers, Buenos Aires, capital and province as well as in Santa Fé and Cordoba. In 2005 around 160 companies existed with approximately 10,000 cooperative members and in 2009 there were already around 240 (Hille 2009: 3). Most *empresas recuperadas* have until 50 members, almost 20% between 51 and 200 people. In only 4% work more than 200 persons. The *empresas recuperadas* emerged in all economic sectors. While most of them are located in the metal, chemical and food industry, they're also in the service sector, in healthcare, education, art and media (table 4).

<sup>12</sup> Public debt in international comparison by country rating (2012): 1-Japan (214.39); 2-Zimbabwe (202.70); 3-Greece (161.30); 8-Italy (126.10); 9-Portugal (119.70); 10-Iceland (118.90); 12-Ireland (118.00); 15-Belgium (99.60); 17-France (89.90); 19-UK (88.70); 20-Spain (85.30); 22-Canada (84.10); 25-Germany (81.70); 35-US (73.60); 51-Brazil (54.90); 87-Argentina (41.60); 119-Australia (26.90); 139-Russia (12.20). Central Intelligence Agency World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2186rank.html>, access on June 30<sup>th</sup> 2013.

<sup>13</sup> Beginning with the 1970s, there have been cases of worker self-management in Argentina and there are also *empresas recuperadas* in other South and Central American countries. In Europe, we remember Lip in France, Tower Colliery in South Wales or Spanish Mondragon Corporation (with the discussion around the company one does not deal here). But never so many *empresas recuperadas* emerged at the same time as in Argentina in 2001/2002 (Hille 2010a: 35).

**Table 4: Number of *empresas recuperadas* per economic sector**



Source: Hille 2009: 4.

The members of the *empresas recuperadas* united, because they felt deprived, losing their working place. In most cases they did not get any severance pay and had to suffer a loss of earnings. If an entrepreneur has built up his company for years in small work and gets bankrupt because of an economic crisis and then the company is simply taken over by the workforce, one wonders whether this is just. Nevertheless there have been many cases where the employers planned to “empty” the enterprise and left without saying anything. They took credit for credit, but never with the intention to invest into the company. They disregarded Rousseau’s idea of a social contract, with no notion for a commonly accepted justice and just had in mind their own profit. They wanted to get rid of their employees, their enterprise and build up a new one at a new place (Hille 2009b: 241).

This so-called fraudulent and culpably caused bankruptcy is punishable under Article 176 Penal Code with up to six years in prison. Before the reform of the bankruptcy law (1995) it included a clause providing that the judge could consider whether it was a fraudulent bankruptcy or not. Since the reform, the law seems to protect those who have caused the bankruptcy, because it just pursues on request. The law almost seemed, like a Trojan horse, to invite to bankruptcy in a small scale, before the big crash.

About 90% of the *empresas recuperadas* are cooperatives. For the foundation 10 members are needed and the application can even be made "out of the tent". In some cases, the registration can be confirmed within a week. Generally the cooperatives in Argentina receive tax benefits, for example, they are exempted from income tax (idem.: 152). But before they reach this stage, they must go through a process of transition in which they are in a legal vacuum. They are cooperatives in transition. Because, like during a squat, their behavior is actually illegal and would need to be punished by Art. 181 Penal Code: If they don’t put a tent in front of the abandoned factory, in order to protest, they stay inside of the building and wait, doing nothing, until their legal situation is cleared. Generally violence is not seen as a strategy of the movement (idem.: 163 ff.). In a Gandhian way, unemployed recovered their dignity in the age of neo-liberal globalization.

In order to not to criminalize the already humiliated unemployed for factory occupations, not to increase their ranks and to prevent brain drain the State jumped in and changed the bankruptcy law in their favor. Already in 2002 a clause (Art. 189 ff.) was inserted to delay the foreclosure date of the bankrupt company. Until that time, the former employees should have the opportunity to continue working in the company on their own, as a cooperative. With this so-called “temporary-use” they can use the production facilities and the property. Often a lease will be agreed with the cooperative, however, it is mostly of symbolic nature, free of charge. For the former staff, this measure has the advantage that the occupation and subsequent production is legal. For all the creditors it is good, because the value of the company increases, when the machines continue to work and thus the expected bankruptcy mass<sup>14</sup>. Since the reform of the law (2011) the cooperative in transition can also apply for the temporary use.

Apart from that, the former employees may participate in the cramdown, in order to look for a possible agreement on the value of the debt among the other creditors and the debtor. The remaining creditors are mostly suppliers, utility companies, the government, banks, attorneys, but also customers. If the agreement is successful, the case is finished and the company stays in the hands of the old owner. If the cramdown fails, the insolvency procedure is opened with the bankruptcy declaration and ends in the foreclosure. Although the winning bidder must take the original contracts of the former employees and compensate them accordingly, it is not yet solved out, how the value, which they have achieved for the company during the period as a cooperative will be deducted to them. If the cooperative can't buy the company in the execution, the employees should be given the right to continue working under the new owner. This would be similar to a rented property that is sold and the agreed rental terms do also apply to the new owner, as a protection of the tenants. “Basically, the reform of the law is an improvement, but several provisions are not yet fully developed and require another revision” (Alberto Rezzonico, Universidad Nacional de La Plata, interview April 29<sup>th</sup> 2013).

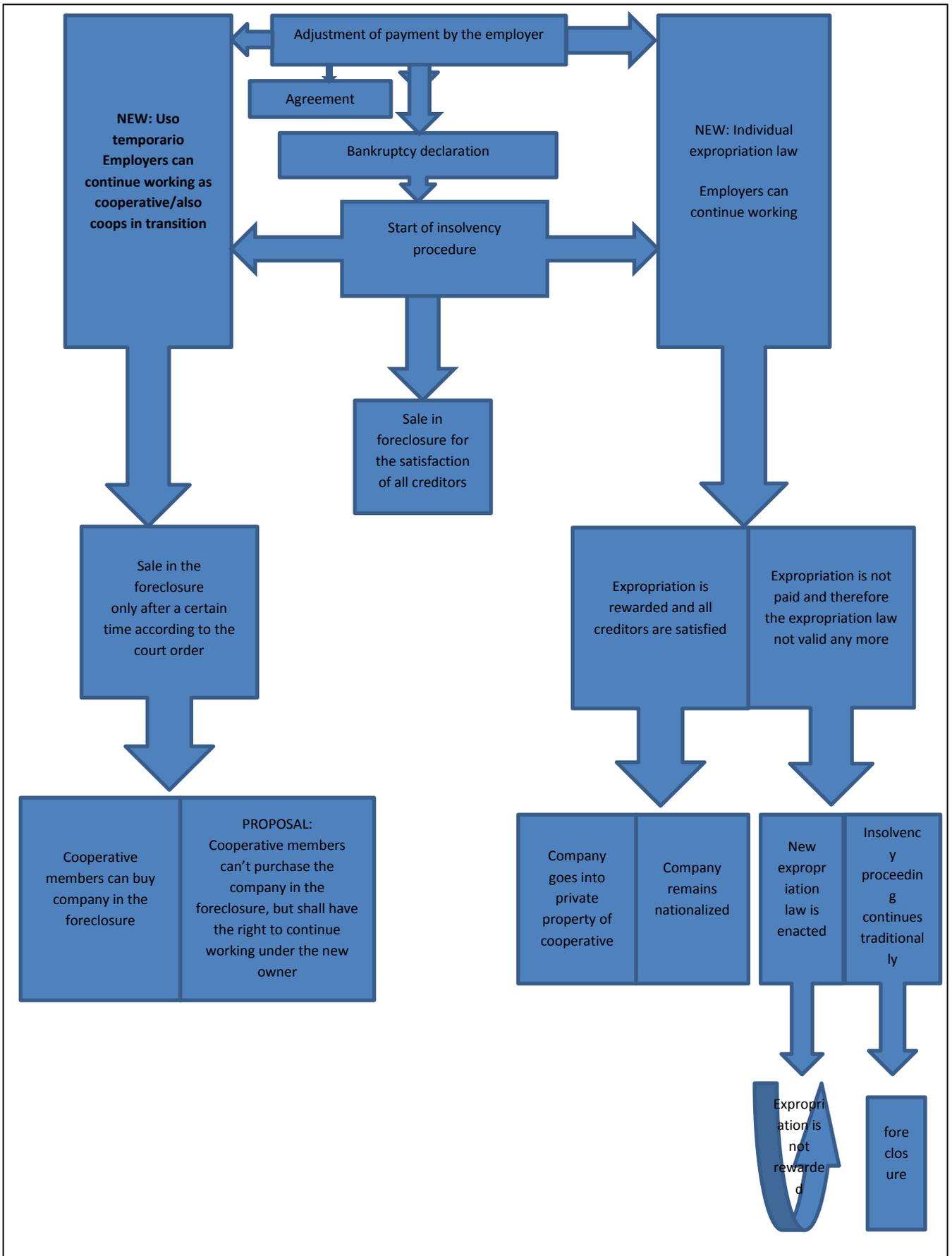
Especially before the reform of law 24.522 through law 26.684 a number of expropriation laws were enacted, in order to interrupt the insolvency proceeding and to give the workforce the possibility to continue working, especially when they took over their former workplace before the insolvency proceeding started. The expropriation law is valid from its enacting until the end of the deadline to pay. In that way the law interrupts the insolvency proceeding. However, in most cases no compensation is paid and none of the creditors got anything and remained, as well as the members of the *empresas recuperadas* in a permanently uncertain situation. The problem with the expropriation laws is that there is almost never a plan to really pay them. This happens because there was never the policy to nationalize all *empresas recuperadas*. Because of this tricky situation expropriation laws were just enacted, sometimes one after another, to give time to the members of the *empresa recuperada* to organize themselves<sup>15</sup>. Only in some cases, for example with the key industry of a province, that is related to exorbitant many jobs and is at the same time for a wider public benefit, then a state-funded expropriation can be aimed. As an example may be mentioned the shipyard Astillero Rio Santjago. With the help of the whole village, the workers could keep their jobs and the company was nationalized in the 1990s (idem.: 76).

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<sup>14</sup> At an occupation during the insolvency proceeding, the right to work does not interfere with the right to property, because the owner is not allowed to exercise his property right during the bankruptcy. Instead, the right to work collides with the rights of other creditors on the repayment of their claims (more see Hille 2009b: 210). Nevertheless the owner can recover his right on the property, if he pays for it, participating in the foreclosure.

<sup>15</sup> In public, this process, the unpaid expropriation, however, is little known and it is assumed that any expropriation is paid by the state, and therefore by taxpayers (idem.: 198).

**Figure 1: Legal frame for protection against unemployment in case of bankruptcy (own production)**



The state did also intervene otherwise for the re-activated factories, e.g. in the search of start-up capital. Because of their often unclear legal and financial situation, the *empresas recuperadas* generally have difficulty in getting loans. This leads to a poor advertisement campaign, which is often just based on word-of-mouth propaganda and the arduous building of a solid customer base. To support the cooperatives the Ministry of Labor organized numerous events, where they could present themselves and attract new clients. It has provided an extra credit line for SME and law 26.684 stipulates that the cooperatives should get special treatment to be able to pay back their debts, if among the creditors is the Banco de Nación or the AFIP (Administración Federal de Ingresos Públicos). Very important were also the universities, they supported the staff of the re-activated factories for example with free trainings.

Although many *empresas recuperadas*, given the often outdated equipment and poor advertising strategy, earn less than before and produce less, they could create in nearly 90% new jobs and did in most cases hire unemployed persons. And there were also some real success stories. Thus the *empresa recuperada* Pauny has conquered the first place in Argentina in the sale of tractors and the company Grafica Sol assumes interim orders for large customers such as Unilever or Knorr (idem.: 230).

## **Social movement of *empresas recuperadas* and the unions**

Initially, most unions in Argentina did not support the *empresas recuperadas*, as cooperatives in transition. This was primarily due to the fact that they were not officially recognized. The legal framework that was established in order to legalize their action has not been created in the beginning.

Since they have no connection to any company or institution these unemployed and unprotected people have no bargaining power at all. They can't go on strike, paralyzing production lines or organizing a flash mob at their workplace in order to improve the conditions. The members of the re-activated factories can – in contrast to the *piqueteros*, who solely remain the road – only occupy their former workplace, for example in order to prevent that the machines are removed. Nevertheless, this defense of the workplace on an already completed notice, or even plant closure, requires a huge commitment not only of individuals but of the entire workforce and is also dependent on support from society (Hille 2010a: 32)<sup>16</sup>.

During the take, the unemployed got support by their organizations, as well as other stakeholders, such as the *piquetero* movement, the students, artists, intellectuals, politicians, their clients and communities. In opposition to that, most unions did just support the members of the *empresas recuperadas* in the traditional way: They came after the transition was finished, when their legal situation was clarified and when they had already recovered their jobs. Some unions even changed on the corporate side.

Because the unemployed and fired persons started to unite with each other, the number of *empresas recuperadas* grew and grew. It led to a social movement, with different organizations, spreading out in the whole country. An important role in this movement was the MNER (Movimiento Nacional de Empresas Recuperadas), created in 2001 in the factory

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<sup>16</sup> The Argentine labor movement was influenced among others of socialist and cooperative migrants. Between 1865 – 1899 approx. 2,000,000 immigrants came to Argentina (Hille 2009: 13). 49% were Italians, Spaniards nearly 20%, 1.7% were German (Carreras a.o. 2008: 10).

IMPA (Industria Metalúrgica y Plástica Argentina) in the city of Buenos Aires. When the legal situation of the re-activated factories became clearer, other organizations established themselves in the movement: In 2003 the MNFRT (Movimiento Nacional de Fabricas Recuperadas por los Trabajadores) split from the MNER to create its own organization. In 2006 FACTA (Federación Argentina de Cooperativas de Trabajadores Autogestionados) separated from the MNER.

FECOOTRA (Federación de Cooperatives de Trabajo Argentino), the original representative of traditional cooperatives, that had emerged in the 1980s, was initially opposed to the strategy of occupation by the *empresas recuperadas*. Finally they adopted to the circumstances of the times and decided to support the re-activated factories, organized as cooperatives (more than 90%)<sup>17</sup>. Only a small part teamed together with an investor to set up a limited company, in rare cases, a joint-stock (e.g. Pauny). Another small part of the *empresas recuperadas* calls for a nationalization. The first example is FaSinPat in Neuquén.

Only a few exceptional unions did support the re-activated factories from the beginning. This includes the Asociación de Empleados de Comercio in Rosario, which goes back to the personal commitment of its Secretary General. Support did also come from the ceramic union SOCEN (Sindicato Obrero y de Empleados Ceramicos de Neuquén), which has close ties to the *empresa recuperada* FaSinPat, as well as the FOCRA (Federación Obrera Ceramista de la Republica Argentina). They had all ambitious chairmans who sympathized largely with the PTS (Partido de Trabajadores Socialistas). In 2005 a union for the *empresas recuperadas* was created: ANTA (Asociacion Nacional de Trabajadores Autogestionados), as part of the CTA (Central de Trabajadores Argentinos)<sup>18</sup>. This is new, because generally the unions were against cooperatives, because “there was no possibility to establish dependency structures, due to the fact that of the missing subordination” (Interview Alberto Rezzonico, Universidad Nacional de La Plata, April 29<sup>th</sup> 2013).

The members of the re-activated factories come principally from the sector of the metal workers. Therefore, it is not surprising that they were supported by their union, the UOM (Union Obrera Metalúrgica). However, the support was initially only through the section Quilmes. This was also due to the personal ambition for cooperatives of the chairman. Already when the first businesses were reactivated in the 1980s the UOM Quilmes played a major role. More than 25% of the metal workers among the *empresas recuperadas* are a member of UOM Quilmes. Even in the difficult process of transition to legalization the *empresas recuperadas* could still claim the benefits of the union and they were also supported with food. In addition, the UOM Quilmes helped the members of the re-activated factories in the negotiations of their legal status and with trainings. For this purpose they also cooperated with foreign NGOs, with financial support from the EU (Hille 2009b: 90).

One reason for the various positioning of the UOM is to be found in Menemism. To enforce its neoliberal policies Menem relied in particular on the Peronist tradition of co-optation. He began to divide and co-opt especially traditionally powerful trade unions, including the industrial workers UOM: Part of it was granted the participation in the newly privatized companies or in government service. In a sense Menem continued with the crusade of the

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<sup>17</sup> In 2013 there are more than 26,000 cooperatives in Argentina, whereas in 2012 have been 6024 start-ups, among them more than 3700 working cooperatives in the province of Buenos Aires (Instituto Nacional de Asociativismo y Economía Social: [http://www.inaes.gov.ar/es/Enlaces/estadisticas\\_c2.asp](http://www.inaes.gov.ar/es/Enlaces/estadisticas_c2.asp), access on April 29<sup>th</sup>).

<sup>18</sup> In the 1990s, the CTA split from the CGT and became the symbol of resistance against the policies of the Menem government.

military dictatorship against the unions and gave her the last stab: The rights acquired under Perón were again deprived of the labor movement (idem.: 82 ff.)<sup>19</sup>.

### ***Empresas recuperadas* as part of the social economy**

As cooperatives the *empresas recuperadas* are part of the social economy<sup>20</sup>, which is distinguished from social market economy<sup>21</sup>. The main cooperative values are mutual assistance (solidarity), mutual respect, recognition and trust. Special for cooperatives is their dual nature as business enterprises on the one hand and at the same time as associations of people who undertake social objectives. However, by decoupling the voice of the equity and the bond of the voice to the person cooperatives are run by the principle of the primacy of the person in front of the capital. High motivation through self-directed work is another criterion of cooperatives. Finally they are also self-help and no charity. After Ban Ki-Mon "Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility" (United Nations Secretary-General, <http://social.un.org/coopsyear/>, access on April 14<sup>th</sup> 2013).

Regarding cooperatives and the cooperative theories and its origins it is usually left aside, that on the continents and societies of the world, the cooperative principle is practiced by an unwritten law since a long time. Inter alia in Latin America do still exist productive cooperative forms of agriculture that originate from the pre-Inca times, as simple forms of mutual aid. In particular, the traditional, communal use of forest and pasture land, in the sense of the Commons play a major role. Also the old Germanic settlement community, the *Allmende*, was a common land (Hettlage 1990: 304). Following the motto "Cooperation instead of competition" Elinor Ostrom invented this concept new. The focus was a sustainable, cooperative management of common pool resources by user communities, such as cooperatives (Hanisch 2010: 252)<sup>22</sup>.

Internally, the cooperative is not based on the interest in the income of the individual, but on the solidarity between its members. However, this cooperation can also be done out of pure self-interest. Then solidarity means that "a group of people with similar interest acts together in order to enforce those interests" (Hettlage 1990a: 40). The external relationship is then designed of competition with other market participants. Hettlage distinguishes in this respect between *homo oeconomico* and *homo oeconomico-cooperativus* (figure 2).

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<sup>19</sup> The base of Peronism in Argentina is traditionally formed by working class and the history of the Argentine labor movement and Peronism fall together. General Perón was hailed as the first worker in the country. There was even partially the slogan "Perón invented the unions. There are none that are not Peronist" (Hille 2009b: 67ff). Also over 50% of the members of the *empresas recuperadas* voted for Peronism in 2003 (idem.: 86).

<sup>20</sup> This concept was officially launched in France in the 1980s, as an alternative sector, in addition to public and private sector. A century before it was envisaged by the great thinkers, such as Fourier, Tocqueville and Proudhon, in order to design a more just society, influenced by equality and solidarity.

<sup>21</sup> After Rüstow the most important element of a social market economy is to ensure a judicious and durable balance between public and private sectors, "where the state leaves the private initiative and responsibility in business, but reserves itself the right to intervene at any necessary moment" (Rüstow 1949: 36). The main outlines for this are: 1- public sector market monitoring, 2- a strong and independent state (idem: 37).

<sup>22</sup> In opposition to Garrit Hardin who thought that the commons had to be abandoned after another because of human increasing, Ostrom said that the common pool resources can be governed by rules that are monitored (Ostrom/Dolsak 2003: 8ff).

**Figure 2: *Homo cooperativus***

	Action/direction	
Actor	Egoistic goals	Altruistic goals
Individualistic actions	<i>Homo oeconomico</i>	
Solidaric actions	<i>Homo oeconomico-cooperativus</i>	<i>Homo cooperativus</i>

Source: Hettlage 1990a: 41.

If the individual gets unable to maximize its benefits by individualistic actions, then it may be that the *homo oeconomico* discovers that he can better enforce its utility maximization in a group. In this way he becomes a *homo-oeconomico cooperativus*: He tries to realize his own welfare goals uniting with others. After Hettlage (1990a: 40) the *homo-oeconomico cooperativus* only invests in the group as long as it pays off, in contrary to the *homo cooperativus*.

There are also members of the *empresas recuperadas* who joined partly as pure *homos oeconomicos*, primarily because of the poor economic situation, and became *homo oeconomico-cooperativus*. Sometimes they didn't even know the principle values of a cooperative (Hille 2009: 11). However there are enough examples which show that not all do lose their external solidarity as social and cooperative entrepreneurs, in the Schumpeterian sense. There are a number of *empresas recuperadas*, that produce together with other companies of the same kind and they complement each other instead of competing. Several graphic artists produce together, some *empresas recuperadas* associated with production of wheels did unite etc. (idem. 2009b: 138). And they did survive, even without producing alone in a protected sector, shielded from any competition. This happens because, due to its sustainable efficiency, the economic cooperation, based on solidarity, could prevail against standard economic practice.

## **Reactivation of cooperative tendencies in times of EU-crisis?**

While the roots of the cooperative movement are generally located in Europe, in the last years, especially before the current crisis few cooperatives were created; instead, the number of joint stock companies rose. Local banks were integrated into large groups and the cooperator became thus more similar to the shareholder (Kiesswetter 2009: 248)<sup>23</sup>.

In the 1980s began the debate on the importance of the cooperative system within the European Parliament, especially with regard to the fight against unemployment and their importance for regional development. But only in 2003 was adopted by EC-Regulation 1435/2003 the Statute for a European Cooperative Society to ensure that the legal form of a

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<sup>23</sup> The fact that in cooperatives a single shareholder can never win a significant share of the vote is often seen as a disadvantage, since there is no active market for corporate takeovers. Several studies have shown, however, that over two-thirds of all mergers do have a value-destroying effect. Even ex-CEO of General Electric, Jack Welch, who made "shareholder value" popular, does see the unilateral shareholder value orientation as a fault (Otte 2010: 98). Already Alexander Rüstow (1949: 27) did consider the maximum combination of profitability and optimum size of an enterprise in an SME. And he did also criticize that corporations get tax benefits and are always solved, just because they are big.

cooperative would be established on the market<sup>24</sup>. It should again take four years until the Social Economy Charter for the E.U. was published (CEP-CMAF at: <http://www.socialeconomy.eu.org/spip.php?article263>, access on April 29<sup>th</sup> 2013). As the first member states France and Spain pushed forward the social economy: In 2012, for the first time France appointed a Minister of Social Economy, one year before Spain had enacted law 5/2011 on the Social Economy, in order to guarantee a greater visibility of the model.

Nevertheless, it may seem as if the crisis-induced withdrawal of the state in Europe, as in the age of the Manchester liberalism leads to a re-activation of co-operative tendencies for self-help and to solve problems that were formerly in the public remit, as in socio-sanitary or school environment, so to speak as a private-public-partnership<sup>25</sup>. E.g. social cooperatives replaced the missing school lessons in Italy, when the industrialized region of Emilia Romagna was hit by a series of earthquakes (Kiesswetter 2013: 41)<sup>26</sup>. Already at Ley Marcora in the 1980s, it was a strategic objective of the Italian state to support the cooperative movement, in order to save costs (Hille 2009a: 250)<sup>27</sup>. This time, however, is to be different. Cooperatives should establish permanently rather than just being a crisis-related side effect<sup>28</sup>.

The cooperative system as a whole is still underestimated, although it has been proven in the current financial market crisis. By adequate capital requirements (Basel III)<sup>29</sup>, backup facilities, the regional principle, which makes them independent of the international financial market, and the limited marketability of the shares, the cooperative banks have emerged to be particularly resistant to crises (Hofinger 2011: 156)<sup>30</sup>. Unlike other banks that are based in complete anonymity, with an extremely short-sighted thinking solely on quarterly earnings for shareholder value and disregarding any risk management, the cooperative banks have firstly not contributed to the crisis and secondly, did recover themselves from it. They did not need the state welfare, the taxpayers' money<sup>31</sup>.

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<sup>24</sup>The statute, however, is criticized for its complexity and by 2012 there were only about 20 start-up cooperatives in the EU-area. Nevertheless, in spite of criticism, some ideas of the statute were taken directly into national law. In Germany, for example, the rigid formalities for the creation of a coop have been relaxed somewhat with the reform of the Cooperative Societies Act in 2006. E.g. the purpose of funding was extended to cultural and social issues; for a foundation three instead of seven members are required and cooperatives up to 20 members must no longer select two, but only one board member. Only cooperatives with sales about more than 2 million/year have to undergo an examination of their final financial statements. For these reasons and because of the energy revolution the number of cooperative start-ups did increase in Germany since 2007/2008. Nevertheless, cooperatives are still subject to full tax liability, except housing as well as trade and industrial cooperatives in the agricultural and forestry sectors (to cooperative housing, see Hille 2010).

<sup>25</sup> Since the massive privatizations under the Thatcher and Reagan governments in the Anglo-Saxon world for this procedure if private companies take over public services, the concept of ppp is being used.

<sup>26</sup> By the end of 2008 are 14,000 registered social cooperatives represent 19.5% of all active cooperatives in Italy (Kiesswetter 2013: 36).

<sup>27</sup> The Act provided the establishment of a fund, to give loans on especially favorable terms to cooperatives. Also those who wanted to buy their bankrupt company did profit. A second fund was aimed at investors who are interested in these cooperatives. Since the unemployment created their own company, the state could waive the unemployment benefits and save costs in these so-called startups (Hille 2009b: 202).

<sup>28</sup> In Argentina the promotion of the Social Economy, as it is postulated in the Plan Fénix, was a more crisis-resulted measure, too.

<sup>29</sup> „The one, who has no equity, shall not be liable and who is not liable, gambles. He looks for risk where he can find it, just because he can privatize his profits and socialize the losses” (Sinn 209: 290). We might remember Fritz Lang’s “Dr. Marbuse the Gambler”.

<sup>30</sup> With the massive securitization of loans, the global financial system has moved in the direction of the widest possible disintermediation and anonymization of the lending business (Otte 2010: 100). To prevent this, already in 1933 the Glass-Steagall Act was enacted in the United States, as a regulation of size and region in which a bank is to be active.

<sup>31</sup> Due to the existing conflict of interests is to be expected that the cooperative sector’s existence continues to be exposed threatening attacks by major international banks and their lobby. Thus, the financial crisis was also

## Conclusion

Countries such as Argentina, which had to establish a crisis management in the last years, have ever since developed concepts that were published in Europe or the U.S. as absurd. But their policies, starting with the support of the cooperatives in transition, the *empresas recuperadas*, have not only been a model of salvation for unemployed and unprotected workers in Argentina, but also in the rising informal economies of the whole world, from Republic Windows and Doors in Detroit/U.S., to Prisme Packaging in Dundee/U.K. and Strike Bike in Thüringen/Germany. Also several unions and the traditional cooperative movement did open up to the challenges of the time and did represent the unemployed people. Europe should have learned its lesson from these inventions, but also from the mistakes – and make a difference. A tremendous indebtedness and rising privatizations lead to an almost complete loss of control of the public sector, a (voluntary) externalization of resources, rising tariffs<sup>32</sup> and a growing Gini coefficient<sup>33</sup>.

From the Rochdale Pioneers to Owen or Schulze-Delitzsch and Raiffeisen they all wanted a more just and humane society. Although today, while there exist strong and huge cooperatives, the original idea of self-help was to improve the appalling living conditions of the underprivileged at their time and to prevent poverty. Maybe the moment has come, to re-read these old theorists. Also Rousseau had already pointed out in his Social Contract that a State “must neither tolerate rich nor beggars” in order to survive (Rousseau 1945: 162). Kant did see too high debt as an obstacle towards eternal peace. And Rüstow’s warning description of economics was “a Hobbes scenario, a *bellum omnium contra omnes*, where the extraordinary ruthlessness of the free market economy stepped down everything that was not economically strong and let it perish without mercy” (Rüstow 1949: 55).

The question is: Why not use this crisis to re-invent something old? Not crop democracy more and more, but expand it: in addition to democratically elected governments<sup>34</sup> also create democratically run companies, as well as banks. Achieve a complete democratization of society. A juxtaposition of private enterprises, cooperatives, common pool resources and nationalized key industries. Finally let the social economy mature from a supplement economics to general business. Already in 2002 the ILO has adopted a recommendation (193) to the spread of cooperatives as an alternative to neo-liberal globalization. The year of cooperatives should become a decade and cooperatives a catalyst for a new social contract. Time is ready for the third way.

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made possible by an “unrealistic capitalist planned economy, in which all stakeholders were to address the centrally determined Ratings of a private Anglo-Saxon cartel” (idem.).

<sup>32</sup> In Cochabamba, after its privatization, the water costs became so high that the indigenous peoples couldn’t afford to pay it and started to collect the rainwater, until this was forbidden.

<sup>33</sup> Income Gini Coefficient 2010 in international comparison: Denmark 24.7; Japan 24.9; Germany 28.3; France 32.7; Switzerland 33.7; Greece 34.3; Spain 34.7; Italy 36.0; Portugal 38.5; US 40.8; Argentina 48.8 (2002: 53.8); Chile 52.0; Brazil 55.0; Bolivia 57.2 (UNDP Human Development Report 2010:

[http://hdr.undp.org/en/media/HDR\\_2010\\_EN\\_Complete\\_reprint.pdf](http://hdr.undp.org/en/media/HDR_2010_EN_Complete_reprint.pdf); World Bank, access on June 27<sup>th</sup> 2013).

<sup>34</sup> The Swiss *Konkordanzdemokratie* is an interesting way of participative democracy.

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