"Book Review"

Capital and Debt Trap

Authors- Claudia Sanchez and Bruno Roelants
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‘Creation of real wealth can only be long term, which is what cooperatives do in the essence, whereas economic transactions based solely on the remuneration of the capital either do not create wealth or directly destroy it’. This requires the development of relationships based on trust rather than economic war or the survival of fittest; the cooperative rationality is precisely based on the generation of trust among economic actors, both the member-stakeholders who own cooperatives and among cooperatives themselves. The creation of wealth also requires openness, which cooperatives structurally promote where as closedness intrinsically dries up economic dynamics and can even lead to recession.

The eighteenth centuries cooperatives based on these socioeconomic principles were under pressure to enlist as companies which were under environmental pressure to develop new financial marketing models to create more wealth in the twenty first century. Until 1980s financial shareholders were predominantly concerned with the expected financial dividend delivered by the enterprises in which they held shares, forgetting their roles as controllers. As a consequence, managers tended to have a de facto predominant power over the organization and strategy of economic entities even if they did not hold shares.

One of the main critical limits to the expansion or reproduction of capitalism was the risk of too great a level of exploitation of industry by business, namely financial concerns. When this happens, too much of the surplus is distributed to activities such as takeovers, speculations, advertising, warfare, and so on and not enough going to activities that enhance productivity, productive investment, knowledge and skills. The development of global supply chains, together with the use of debt mechanism has altered the order. Tensions arise between the rationality of financial interests in the short term returns and long term development of firms.

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Individualistic behaviour, monetary causes, new business models and systematic financial reproductive techniques lead to three traps – consumption trap, liquidity trap and debt trap.

Claudia Sanchez Bajo and Bruno Roelants have explored the learning from cooperatives in the global crisis. The present crisis is about debt in its underlying mechanism and authors feel that without a change in trajectory we are going to have more booms and busts through indebtedness.

The book – Capital and Debt Trap, learning from cooperatives in the Global Crisis – has 9 chapters. The crisis and its causes have well been explained in chapter 1 and 2. Ownership and rational behaviour pattern have discussed in Chapters 3 and 4. The cases – Natividad Island Divers and Fishermen’s cooperatives, Ceralap Societe Novelle, The Desjardins Cooperatives Group, and the Mondragon Cooperative Group – have been explored in chapter 5, 6, 7 and 8 to testify the theories and are pillars of this project. Chapter 9 warns that it is not the mother of crisis but mother of all warnings.

Through the four cases, this book explores their strategies providing and in-depth analysis within a broader debate on wealth generation and a sustainable future. To all those interested in political economy, enterprise governess, development studies and cooperatives, the Capital and Debt Trap opens up a new way of thinking. The book is equally good for social scientists, planners, teachers and students.

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