Capitalism Isn't Working

Balancing the Accumulation and Disintegration of Financial, Social and Environmental Capitals

Abstract. The process of financialisation has led to a world in which the requirements of money trump all others. Whether we look at football or music, the relationship between producer and consumer is now dominated by the financial interest. The credit crisis represents the logical end-point of this process, whereby capital begins to feed on itself and thereby sucks the life out of communities, environments and national polities. Co-operative business structures were originally designed to enable workers and those with a small amount of capital to invest to establish businesses to compete in the market-place against those which operated for the interests of the rentier class. It has therefore always prioritised the achievement of non-financial objectives by businesses.

This paper explores how the different interests in an economy have been affected by the process of financialisation that typifies the late phase of capitalism, using the Five Capitals framework as a theoretical lens. The paper begins in Section 2 by summarising literature about financialisation. It moves on to consider why co-operative businesses and co-operative finance might be motivated differently than capitalist finance and the pressure on co-operative capital that has resulted from the process of financialisation of the economy. In Section 4, The paper considers the Five Capitals framework developed by Forum for the Future: this section questions whether the five capitals included in the model—human capital, manufactured capital, financial capital, social capital, and natural capital—constitute a coherent framework for analysing the economy. Section 5 then uses this conceptual framework to explore how the other capitals have been exploited through the process of financialisation and proposes how a co-operative approach to considering all the capitals simultaneously might suggest a way forward in protecting society and the environment against further exploitation.

1. *Introduction: The Closed Circle*

Perhaps the most striking outcome of the financial crisis that struck the world economy in 2007/8 and whose repercussions are still rocking every economy in the globalised world is that it has resulted in so little systemic challenge. The interim report by the UK Independent Commission on Banking, set up to propose structural changes that would make a repeat of the crisis impossible, has been fairly limited in the scope and reach of its proposals. Rather than separating retail from commercial banking, as has been widely proposed, the Commission is 'considering forms of retail ring-fencing under which retail banking operations would be carried out by a separate subsidiary within a wider group'. Its proposals to bring some competition into the finance market are similarly week, not extending to mandatory maximum market share limits (ICB, 2011).

When we look at the make-up of this body, the limited nature of its conclusions become less surprising. The Chair of the Commission, John Vickers, is a former Chief Economist at the Bank of England. The Commission has four other members: two are former chief executives of leading global banks (J P Morgan and Barclays) while another is Associate

Editor of the industry's newspaper the *Financial Times*. Rather than an independent commission this begins to seem like an inside job.[1] The absence of contributions from academics is particularly notable.

A wider study by Research on Socio-Cultural Change finds, those UK bodies reporting on the financial system, and how better to regulate it, drew upon a membership of '662 years of work experience and 75% of those years were spent in City [the London financial centre] occupations or servicing City needs' (CRESC 2009, 5).

The choice of consultees to government enquiries into finance in the UK is also highly selective:

'90% of its witnesses came from finance or consultancy with revenue links to finance'.[2] Indeed, 'Membership contained no non-financial businesses and their trade associations, no trade unions despite the unionisation of retail finance workers, no NGOs to represent consumers or press social justice agendas, no mainstream economists or heterodox intellectuals, very few politicians or civil servants' (CRESC 2009, 23). Significantly, even as witnesses, the representation of the public sector was notable for its absence.

The outcome of these one-sided investigations has been a call for more markets and only a limited amount more regulation, largely revolving around the increase in the proportion of capital held relative to lending, a limitation than can be creatively avoided through the invention of a new generation of complex financial instruments and vehicles to shuffle ownership between different formal companies operating within the same group. The most serious crisis of capitalism for a century has called forth critical comment from the academic world, and from a few of those who saw the terrifying nature of the crisis close-up, but in the policy world few suggestions for radical structural change have been made.

The premise of this paper is that, in the words of the protestors' banner, 'capitalism isn't working' and that it isn't working in two specific senses. First, it is failing to share the proceeds of economic activity fairly, and is thus creating inequality, social dis-ease, and a failure of incentives. Secondly, and partly as a result of this primary failure, it is failing in an environmental sense. These critiques are not new, but in this paper I seek to elucidate them through applying the five capitals model, thus developing our understanding of what precisely we mean when we describe the economic system we live within as 'capitalism'. This model enables the disaggregation of the winners and losers from the late, financialised form of capitalism and thereby factilitates the proposal of co-operative economic organisation as an alternative that might help to resolve some of the failures identified.

The framing of the operation of capitalism around the turn of the 21st century in which the argument of the paper is developed is that of financialisation, and hence the following section offers a summary of the theory of, and evidence for, financialisation as the hallmark of capitalism in this period. In Section 3 I consider how capital is conceptualised differently within the co-operative sector. Next, in Section 4, I outline the Five Capitals model as a means of structuring the discussion about how the distribution of value in the economy has shifted as a result of financialisation. Finally, in Section 5 I argue that a co-operative economy could offer a way of distributing value in a more egalitarian and sustainable fashion.

2. Financialisation and its Discontents

The dominance of the financial interest in our economic life is not a new phenomenon; indeed, the use of the word 'capitalism' to describe the form of relationship between waged labour, resources and profits was coined precisely to draw attention to this fundamental reality of our economic system. Similarly, the expropriation of the value of the work of waged labour as profit and the accumulation of capital through the increase in profit level are old sources of debate amongst especially Marxist economists. What is new, and what has required a distinct effort of study and analysis, is the extended scope and range of this expropriation of value that has been made possible consequent upon the process of globalisation and the drawing into capitalism of an ever-increasing number of countries, combined with the reduction in political power to limit capitalism's inherently accumulative logic.

It was this rapid growth in the power and scope of capitalism as an system of expropriation, and its increasing power to dominate formerly protected areas of life—such as the public sphere and the domestic sphere—that led to the development of the term 'financialisation' around the turn of the 21st century. The suggestion is that something has changed at the level of political economy, so that the capitalist system as an *economic system* has somehow broken its bounds and begun to hegemonise a wide area of social life that was once governed by different interests and rules:

'The financial growth of the past few decades does not represent a subordination of public authority and political capacity to the expansionary forces of global financial markets but has rather been a process whereby new organisational linkages were forged and particular relations of institutional control were constructed and consolidated. Fundamentally, financial expansion is a process of institutionalisation whereby the web of capitalist power is cast over a wider set of social relations and becomes more rather than less rooted and organically embedded in the fabric of social life.' (Konings, 2009: 109-10)

The term 'financialisation' is also used by social scientists to describe the way that relationships mediated through finance have penetrated more and more areas of life, taking with them a particular culture and form of social relating (Konings, 2009; Pike, 2006; etc.). There was thus some consensus around the definition of the term 'financialisation as a new frame for evaluating how individuals, firms and economies are increasingly mediated by new relations with financial markets' (Montgomerie and Williams, 2009: 100).

Fine identifies seven characteristics of financialisation:

1. Rapid and huge expansion of financial markets: the ratio of global financial assets to global GDP has risen three times, from 1.5 to 4.5 (Palma, 2009);
2. Sucking of capital into speculative circuits and away from the real economy;
3. Expansion of quality as well as quality, in terms of markets and complex financial instruments;

4. Companies focus on their financial activites and ‘leverage’ borrowing on their own account;
5. Increasing power and wealth of rentier class (their share in the US increasing from 16% of domestic corporate profits during 1973-85 to 41% in the 2000s: Johnson, 2009);
6. The artificial extension of consumption through expansion of credit/debt;
7. Penetration of financial techniques and culture into a wider area of life, including e.g. housing (formerly organised mutually: between 70% and 96% between 1973 and 1978: Stephens, 1993) and football.

The power of this late form of capitalism began to be seen as hegemonic, such that an increasing number of ‘ordinary people’ were sucked into its orbit:

‘The dramatic growth in household credit would become the most reliable and consistent mainstay of financial expansion during the neoliberal era, and the innovations produced by elites in financial markets were the very means through which working people could gain access to credit.’ (Konings, 2009: 119). The critique of financialisation thus becomes one of a ‘dystopian vision is of the financialised economy as a kind of giant Ponzi scheme, with the collective masses of the middle classes substituting for the individual fraudster’ (Montgomerie and Williams, 2009: 104; summarising the work of Toporowski, 2009).

This substitution of financial for personal relationships in turn undermines the forms of *social* security that working people had built up over generations, whose destruction was seen most clearly the demutualisation of the building societies (Klimecki and Wilmott, 2009). Conversely, the explosion of financial power and its uncontrolled and unstable growth has actually increased the risk of the financial transactions on which people are now required to depend, and, because the financial sector is extending its tentacles, increases the risk in a widening sphere of social and economic life. It was precisely this individual and high-risk reality that the mutual sector was established to protect against when it first became a dominant feature of working people lives in the mid-19th century (Birchall, 2009).

Wigan (2009) interprets this peculiar insecurity as a consequence of the particular nature of financial derivatives, where the inherent ‘value’ of the product is irrelevant, while what matters is merely the ability to predict its movement. For example, predicting the fall or even total collapse of a currency (and the economy it relates to, and the livelihoods of the people who make up that economy) is a profitable activity within the world of derivatives traders, automatically divorcing their judgements about the relative worth of real-world events from those of normal economic actors. In this way, the creation of new financial products can, in itself, influence cultural perceptions of both real events and psychological responses to them, particularly the perception and acceptability of risk.

Konings (2009) sees the financialisation of the 1980s and 1990s onwards as the post-monetarist parallel to the price inflation of the 1970s. Monetarist policies, rather than constraining monetary growth, shifted that growth into bank credit and caused an inflation in asset prices rather than wage growth and inflation in the prices of goods and services. Here he follows Minsky in suggesting that capitalism is not one economy, but two, running in parallel, with two markets and two sets of prices. ‘This process sets up a virtuous circle as speculative demand for assets, with the aim of realising capital gains, can further boost prices', according to Minsky (Montomerie and Williams, 2009: 104).

Financialisation is thus undermining of people's security on a personal level. However, it is also undermining of the real, productive economy on which they depend for the sustenance. The consequences of financialisation include a disconnect between the real economy of production and the power-centres of capitalism which are dominated by nominal, monetary values alone (Mellor, 2010). This impacts negatively on the real economy, especially through a reduction in long-term investment (Toprowski, 2009).

The financialisation of our economy has numerous consequences that are destructive to the social community and our human need for a sense of physical and social security. Human resources similarly become over-exploited, with falling labour standards and a global 'race to the bottom' in terms of labour conditions. The concentration of wealth and power in the financial sector leads to the dependence of a large section of the population on this sector for their long-term security, especially through pension-fund investments. Toprowski goes so far as to refer to this as being the mark of an economy which operates with 'humanity as an appendage of capital markets' (2009: 152).

However, the process is, if anything, even more destructive to the other species we share our environment with, and the planet itself. As the power of finance expands, its claim over natural resources also expands and these resources are exploited at an ever-increasing rate. This can be considered the key cause of the environmental crisis (Cato and Read, 2008). Economic geographers such as Pike (2006) also argue that financialisation contributes to the disembedding of economies from the environment.

We thus arrive at a paradox: an economy that is increasingly disembedded from the natural environment in terms of its process and level of responsibility, and yet at the same time feeds on that environment in an increasingly rapacious way. This paradox can be resolved to some extent by invoking the competition for investment funds between productive sectors and the finance sector. As the ability of the finance sector to generate greater profits grows, so the productive sectors are forced to squeeze more value out of their human and natural resources in order to attract any level of investment. As a result of the competition with the easy profits of finance, those still engaged in production need to extract even more value from labour and environment in order to compete for capital.

3. *Capitalist vs. Co-operative Finance*

In an important sense, from a co-operative perspective the process of financialisation is nothing new. It was precisely the exclusion of working people from the exclusive circuits of capital and their prevention from accumulating capital and thus power to create their own businesses that was one of the guiding principles of co-operative enterprise, particularly in continental Europe, where worker co-operatives funded from the savings of their members were the mainstay of the co-operative economy (Birchall, 2011). In the UK, in spite of the powerful support of prominent intellectuals including J. S. Mill (Lambourne, 2008), most of the mutual campaigning energy was put towards the establishment of building societies and consumer co-operatives.

In the period after the initial enthusiasm, co-operatives came to seem like other businesses, losing the distinct emphasis on membership and sometimes also their radical political edge (Mellor *et al*., 1988). How has the distortion of the economy by the disproportionate emphasis on the interests of finance affected the co-operative movement? Since co-operative businesses are unable to make profits in the conventional sense, and are motivated by principles and values that focus more heavily on the social and environmental benefit of their productive activities, they might be expected to have suffered peculiarly from the financialisation of the economy.

For the co-operative sector, one of the most powerful consequences of finanancialisation has been the demutualisation of financial institutions and the stripping out of value accumulated through generations of working people through the sale of member co-operatives such as the AA. In the UK this process of demutualisation can be seen most clearly in the building societies, which went from a dominant position in the the early 1990s to a minority position by the end of the decade. Their share of the mortgage market over this time went from 80% in 1994 to only 25% by 1999 (Cook *et al*., 2002).

It is a feature of co-operative development dating back to the earliest days of the co-operative movement that mutually owned businesses have had difficulty obtaining loans from capitalist banks and one reason for the success of the Mondragon Co-operative Group is that it has deliberately kept money circulating amongst the constitutent businesses through the Caja Laboral or Workers' Bank. A study of the role co-operatives can play in helping to achieve the Millennium Development Goals found that, while they had many advantages over other approaches to development, the major barrier they faced was access to capital for investment (Birchall and Simmons, 2009).

In the context of financialisation, co-operatives have struggled to resist competitive pressures and to maintain their position in the market despite the ever-increasing pressure for an expansion of shareholder value. Even within the movement, this has sometimes led to the suggestion that the tight ownership-and-control requirements should be relaxed, to allow for external investment capital (Brown, 2004). And more recently we have seen the tie-up between a struggling mutual building society, Kent Reliance, and the global financial equity firm J. C. Flowers.[3] The extent to which the value can be kept exclusively to the benefit of co-operative members under such an arrangement remains to be seen.

We could also argue that the increased policy emphasis on 'social enterprise' with its loose definition (Jones and Keogh, 2006) and with the clear commitment to ownership-and-control of the co-operative replaced with a vague statement of operating 'for social benefit' has created a new form of business that threatens the traditional co-operative. While such businesses need to demonstrate a social purpose, there is nothing to prevent the extraction of value by what are frequently called 'charismatic social entrepreneurs' and who sometimes receive remuneration packages decided by a small coterie of acolytes and comparable to those received by the CEOs of private-sector businesses.

True co-operatives, by contrast, maintain the commitment to balance the interests of all their stakeholders. This refusal to privilege the needs of some above others is the converse of the much-heralded 'co-operative advantage'. Since co-operative businesses are not under pressure from shareholders they are at liberty to pay attention to the needs of employees, the global human community. In the UK context we have seen the practical influence of this commitment on business decisions such as the move into fair trade sales and the decision to lead in sustainable farming practices. While local supply contracts have been harder to arrange of historic organisational reasons (Bickle and Cato, 2010), the move in this direction is now firmly established.

There are two other features of co-operative businesses that can help to buttress them in an era of extreme value extraction. The first is their very ability to co-operate. Principle 6 Is that there should be 'co-operative among co-operatives', meaning that co-operative businesses should resist the market imperative to compete on price and instead to choose to contract first with a co-operative business if one is available. This was always intended to ensure an alternative economy of mutually supportive businesses operating according to a non-capitalist value system. This principle now provides a rationale for resisting the socially and environmentally destructive logic of the globalised, financialised capitalist economy.

Finally, and with more relevance to the environmental agenda, we have the inherent limit on the expansion of co-operatives. Growth is the inherent logic of the capitalist economic system; yet growth is incomptible with a limited planet (Jackson, 2009). Hence, the transition to a sustainable economy requires a form of business structure that will not tend to grow without limit (O'Neill, 2010). The pattern of growth for a co-operative tends to be via spin-offs. Because of the governance model, co-operatives face a difficult juncture once they reach the size where the members can no longer all be part of the same decision-making meeting. Although the largest co-operative in the UK context, the Co-operative Group, has expanded well beyond this limit, this was largely a result of the mergers to achieve economies of scale that were forced on the smaller retail co-operatives to enable them to compete with the supermarket chains. Although detailed information on the growth dynamic of co-operative businesses is not available, from a theoretical perspective there are powerful limits on their capacity to grow that do not apply to mainstream businesses (Cato *et al.*, 2006).

4. *Not Just About the Money: Introducing the Five Capitals Framework*

The analysis so far has focused on the consideration of capital as defined initially by Marx, that is to say available finance that makes possible the purchase of factors of production within a capitalist economy. From the perspective of political economy this is the most important focus, because in a capitalist society controlling capital confers power, primarily the power to acquire and use resources. The classical economists discussed the economy in terms of three factors of production: land, labour and capital, but economic theory later 'forgot' about land (Negru, 2008) so that the focus was on the struggle between capital and labour for share of production, a struggle that has been reflected in the dichotomous nature of our political systems for the past century.

Economists who focus primarily on society and the environment have considered how an expansion of the concept of capital might enable the rights and needs of other economic 'actors' to be better represented in these negotiations. For example, the concept of 'natural capital' can bring land back into the discussion, but broaden its definition to include resources contained in the earth (as was true of classical economics) and other aspects of the environment which have traditionally been considered freely unconstrained, such as the sea, the atmosphere, and natural systems that support human life, such as pollination or nitrogen cycling (Ekins, *et al*., 1992). Human capital can broaden out consideration of the skilled worker beyond the thin vision of the utility-maximising individual found in economic theory. Social capital can to a limited extent (Fine, 2002) bring the community of workers into the discussion as a group who relate to each other with more or less success, rather than a collection of unassociated individuals.

By broadening our consideration to include these additional capitals we arrive at the four-capital model proposed by Ekins *et al*. (1992: 49):

'In this model, only the definition of manufactured capital is substantially changed from the three-capital case. Ecological capital embodies a more realistic perception than 'land' as to how the biosphere sustains the economy. Human capital emphasizes the roles in wealth creation of health, knowledge, skill, and motivation. And the new category of social and organizational capital reflects the importance of many kinds of groups in helping people working together to be more productive than they could be as isolated individuals.'

This model offers a more realistic vision of how an economy works, and which factors are likely to make it productive and efficient but it leaves outside the key concern of this paper, and the factor that first gave rise to the theorisation of capital, namely the financial interest. Jonathan Porritt (2005) argued for the reintroduction of this 'financial capital' as a fifth dimension of the model, generating the Five Capitals Model of economic activity illustrated as Figure 1 with each capital described in Table 1.

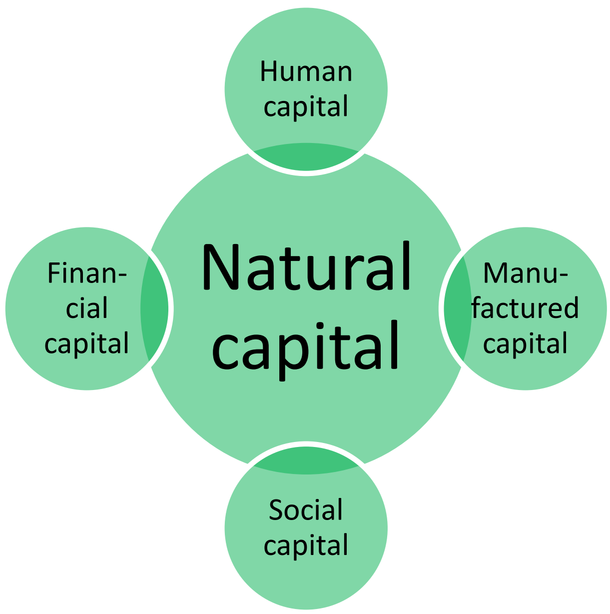


Figure 1. Five Capitals Model

Table 1. The five capital stocks explained

Type of capital	Description
Financial	Comprised of shares, bond, or banknotes and useful to facilitate exchange of the other capitals. Has no intrinsic value
Manufactured	Infrastructure created by human effort
Social	Civil society organisations and the relationships of trust they create
Human	Health, knowledge, skills, motivation and spiritual ease of individuals
Natural	The environment, the resources available in the environment, and the natural systems it provides that support life

Source: Summarised from Parkin, 2010: Table 8.3.

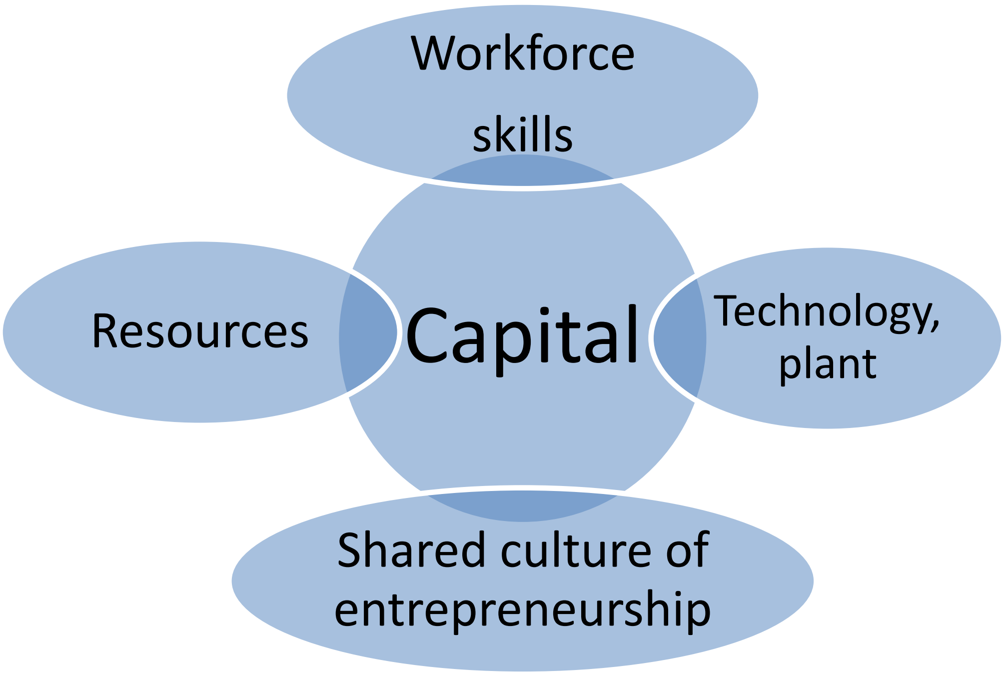
Such a model can facilitate a discussion of the relative importance of each capital in an absolute (i.e. in terms of human survival) and relative (i.e. within the economy as currently structured) sense. As illustrated here the model prioritises natural capital and Porritt makes clear that the earth, as the source of all value, must be protected (Porritt, 2008).

A key debate between environmental and ecological economists concerns whether these different types of capital can be substituted one for another. An environmental economist would argue that it is efficient to compensate for the diminishing stock of non-renewable resources by increasing use of renewable resources. This can drift into arguing that substitution between different types of capital might be possible, so that natural capital can be expended so long as this is compensated for by an increased level of physical or even financial capital. An ecological economist would, in contrast, defend the primacy of natural capital. While technical improvements can lead to more efficient use of resources, the substitution of capital for natural resources is problematic. The conclusion from the ecological economists is thus that sustainable development requires careful stewardship of all forms of capital and that this must take an equal place in economic calculations alongside considerations of maximizing productivity and utility.

In the case of human capital (as broadly defined in the Five Capitals model to include all aspects of individual well-being), Illich has explored how it is diminished by an economy focused too narrowly on productivity:

'I choose the term 'conviviality' to designate the opposite of industrial productivity. I intend it to mean autonomous and creative intercourse among persons, and the intercourse of persons with their environment; and this in contrast with the conditioned response of persons to the demands made upon them by others, and by a man-made environment. I consider conviviality to be individual freedom realized in personal interdependence and, as such, an intrinsic ethical value. I believe that, in any society, as conviviality is reduced below a certain level, no amount of industrial productivity can effectively satisfy the needs it creates among society's members.'

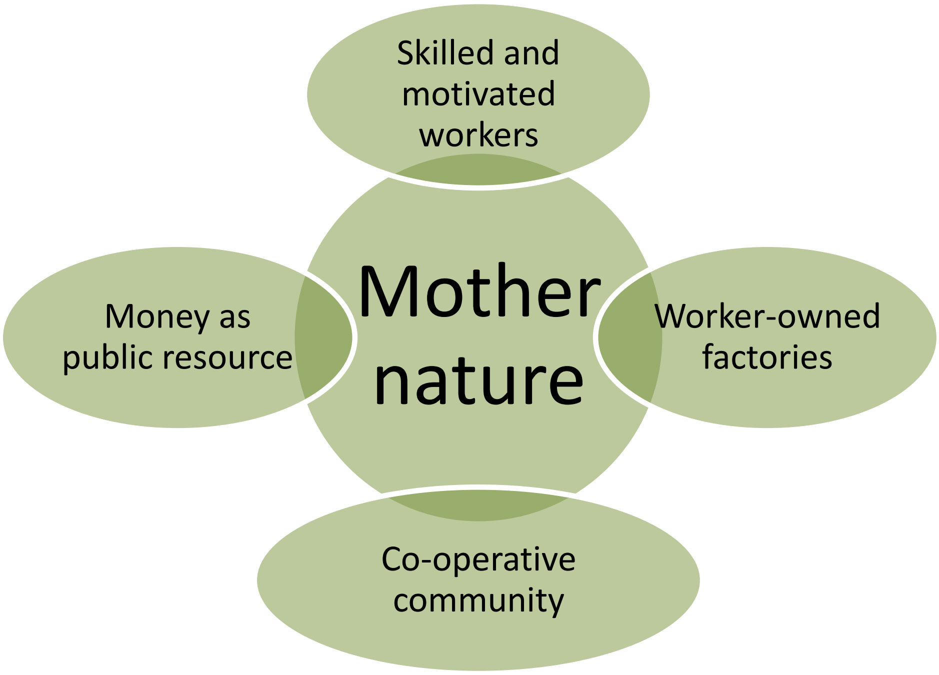
Konings similarly argues that the growing power of capital within the process of financialisation can be interpreted as an example of the master-slave dialectic as theorised by Hegel. While capital has exercised enormous power over the actions of individuals within western economies their autonomy has not be entirely removed; rather they find their ability to operate as 'competent actors' is crippled until the social bonds they shared, and even those between them and their financial 'master' are eroded. Pike (2006) makes a similar case for the way that the changing nature of capitalist business has removed the element of social capital that formerly bound economic agents into a close—if antagonistic—relationship.



Thus we can see the Five Capitals Model as an ideal type where nature is central and the other forms of capital are used wisely and in a balanced way to achieve maximum human well-being. However, this does nothing to help us deal with the process of financialisation. Figure 2 is an attempt to illustrate the five capitals as they exist in the current global economy. In this figure the financial interest is the central and dominant power which the other capitals exist to serve. Hence the environment has been reduced to a supply of resources and human capital is defined in its more usual sense of a skilled workforce. Manufactured capital is now portrayed in the limited sense of essential infrastructure to support production, while social capital is considered as a shared culture that enables the efficient combination of the other capitals. This representation of the global economy as currently structured is far from the ideal of the five capitals framework, and equally far from the ideal of the co-operative founders. In the following section we explore whether their insights into the need to balance the needs of different economic agents can extend this model into a framework for a sustainable and just economy.

5. *Applying the Five Capitals Framework to Co-operative Economic Activity*

In Section 2, I argued that the increasing dominance of finance in the global economy has led to the diminution of the power of other economic players, while Section 4 introduced the Five Capitals model and considered how the other capitals are degraded by the increasing power of finance. With the help of this model we can now consider how co-operatives might be able to better balance the demands and pressures of the five capitals than capitalist businesses.The foregoing discussion makes clear that both human society and the environment are under great pressure from the capitalist economic model. In this section I explore how this pressure might be lessened if a larger proportion of economic activity was organised along co-operative lines. Figure 3 seeks to facilitate a consideration of this question, again using the five capitals but reconsidering them from the perspective of co-operative economics.



The first step is to define our terms, and to ensure that the labels we use avoid diminishing the people or natural systems involved. Hence the people who work in businesses are labelled as workers rather than 'human capital'. 'Financial capital' has been relabelled as 'money'. The physical structure of production, formerly labelled plant, has been relabelled to make its ownership system clear. Finally, 'social capital' has been relabelled as a community, assuming the trust but without reducing it to an extension of finance. Finally, and centrally, we remember the earth on which we all depend.

Beginning with 'human capital', we can argue that employees are more likely to develop their skills in co-operative workplaces. The 5th principle of co-operative enterprise is 'education, training and information' and the advancement of members general education as well as work skills and has always been a key commitment of the co-operative movement: 'co-operatives educate and develop their members as well as their staff' (Co-operative Education Trust Scotland, website). Within a co-operative enterprise motivation is also enhanced, since employees have a genuine share in their own business and can expect to share in any surplus generated (Spear, 2000). The willingness of co-operatives to innovate has been demonstrated in the UK retail sector, where the Co-operative has been the spearhead of developments in wholesome food, fair trade and now local supply.

The nature of co-operatives as businesses embedded in local communities, what we have elsewhere labelled 'capital anchoring' could also be a positive contribution in terms of stabilising the economy (Arthur *et al*., 2010). Correa (2009) argues that 'embedding' companies in the financial system would support the stability of that system. He contrasts the Japanese and German system, where companies and banks have long-term relationships, with that in the UK and US, where new capital is accessed on a loan-by-loan basis. The closer relationship in the former countries is predicated on a stakeholder approach to management, so that employees and managers have a stake in the health of the bank *and vice versa*. This form of enterprise based in close, local and long-term relationships could provide a useful anchor in contrast to the increasingly footloose behaviour of both finance firms, and productive firms financed by them.

This relates to the argument we would seek to make in terms of the community dimension. There is a growing distrust between workers and employers and between businesses and communities. Recent research from Co-operatives-UK has indicated that the co-operative form of enterprise is recognised as being more trust-worthy and ethical than corporate forms of business. Nearly 80% of those questioned knew that co-ops share their profits, 75% considered them fair and 73% knew they were owned by their customers. Around two-thirds thought co-operatives could be trusted and operated for the public good (Simon and Mayo, 2011). They were also thought to be honest (63%), open (59%) and democratic (53%). Mainstream businesses can invest considerable resources in ensuring that they have achieved the sort of 'social return on investment' that grows inevitably from the structure and governance of a co-operative business.

Moving on to consider the productive units or plant that belong to a business, from a theoretical perspective we could suggest that co-operatives would be inclined to better maintain and support their physical plant since it belongs to them. There is, however, little evidence to support this.

The argument about the extraction of value to the financial interest is central to this paper, where this particular 'capital' has been given a special consideration. However, it is worth adding here that the absence of pressure for shareholder value in the co-operatives does enable them to respond to other demands, and to balance the needs of employees for a decent return with the need to return a surplus. If it is the rapacious drive for ever greater profits that is the root cause of the pressure that businesses put on the environment, then co-operatives businesses are better placed to resist this pressure.

This brings me to the last, and central part of my argument: why might co-operative businesses be less destructive towards the environment? The first response by business to the recognition of the ecological crisis was to suggest that it would offer a further opportunity for profit. This 'green capitalism' was marketed as a form of economic organisation that 'unites ecology and commerce into one sustainable act of production and distribution'; in such an economy 'restoring the environment and making money would be the same process' (Hawken, 1993: 3, 11-12). However, as argued by Smith (2011), this idea is a 'god that failed' and a dangerous delusion. Rather than offering a solution to the ecological crisis, this intellectual game has wasted time and enlarged the scope of the problem. Instead we need a solution based on firm government action and equal sharing of the earth's resources. His proposal of bottom-up democratic control over the economy and society is surely a model that would involve co-operatives in its implementation.

The example of the preservation of forests can offer a useful comparison of capitalist and co-operative approaches to the ecological crisis. In the capitalist approach, pseudo-markets can be created in a process which Sullivan (2011) refers to as 'commodifying nature'. As an example, governments might be prepared to pay money to a country which owns rainforest to protect it, a form of high-level carbon offsetting. However, as Sullivan argues, this pricing and marketing of nature in fact creates a new market and a new form of financialisation, leading ultimately to a greater pressure on the ultimate source of the value: nature itself.

By contrast, in the UK in recent years a system of co-operatively owned community woodlands have grown up, whose owners have no interest in the financial value of these spaces but own them to prevent their commercial exploitation. In Scotland their activities are co-ordinated by the Community Woodlands Association and in England and Wales by the Community Woodland Network. There are more than 250 community woodland projects in the UK, many of them operating as co-operatives.

While these co-operatively owned woodlands are protecting high environmental standards, growly wood sustainably and reducing carbon emissions, they are also able to achieve significant economies of scope, through their vertical diversification. In contrast to finance-driven companies who use their power at different stages of the supply chain to extract greater value, secondary woodland co-operatives such as the Forest of Avon Wood Co-operative co-operate through the supply chain to achieve benefit for their members, who individually might not be able to survive. They describe the advantages of co-operating throughout the supply chain for wood-based products as follows:

'We have some members who are woodland owners, others who fell the trees, we have members who can mill timber, which can then be used by designer/makers, timber builders, wood turners and crafts people, and anything left over can be turned into a secondary products such as charcoal and fire wood.'

It is only the co-operative that enables the individual craftspeople to survive in this sector where global competition is fierce. Their survival enables the production and consumption of local products, reducing transport-related CO_2 emissions and keeping rural skills and livelihoods viable.

5. Conclusion

I began this paper by considering how financialisation has threatened the well-being of citizens, as well as the health of the planet we depend on. The story is one of the sucking out of value from human communities and natural systems to satisfy the inexhaustible demands of the *rentier* class. The process is a simple one. First we allow money to be, as is stated in every economics textbook, a 'unit of account' and a 'store of value'. It is the way we measure our economy, and a short step from this is the empowering of money as being the means by which we judge value.

Effectively, this privatises the process of value creation in our society. We begin by meaning only financial value, a simple accounting process, but, because money is needed to make everything happen, this is the privatisation that lies behind all other privatisations: the privatisation of value itself. This allows those who work in the financial sector to make judgements for society at large about what has value. We cannot really blame them for judging as most valuable those things that generate most profits, enabling them to make the most money, since this is how they, as a sector, are motivated. The mistake is rather ours, in allowing value to be defined and operated in this way. Once we have done this, then it is a logical next step that value (now redefined as ‘wealth') is only created in the private sector, and that the social activities that we value as part of a human community can be portrayed as parasitical upon this sector. The logical end-point of this process is a world where we are fighting to maintain the aspects of life that have ecological and social value, against the monster of financial value that we have failed to control.

The contribution of the co-operative movement is in claiming back the right to judge what is of value. This is enshrined in the principles and values that all members of the international movement strive to live up to and it is the reason why Robert Owen, father of the co-operative movement, also established his own money, which established a working hour as the unit of real value. The analytical power of the five capitals model is that it allows us to reject the exclusive focus on finance that the process of financialisation has bequeathed to us. Green economists would argue the need to balance the needs of people and the planet, with finance playing a subsidiary role, being regarded as epiphenomenal and subject to social and indeed democratic control. As used in this paper, the five capitals model allows us to consider all the factors that are involved in a productive economy together, and to balance the needs of the various factors against each other, while remembering that the planet is central and primary.

As was clear from the previous section, there is a dearth of research into the contributions co-operatives make to the preservation and improvement of some of the five capitals identified. While we can be fairly clear that co-operatives are benign in terms of their own workers (who may also be their owners) and the local communities where they find a home (some of whose members may also be their customers), we can be less certain about co-operatives approach to physical plant and to investment capital. In recent years we have seen suggestions that the absolute separation between capital and power within co-operatives may be being eroded, but we have seen a parallel growth in the creative ways of financing socially useful activities, such as via the issuing of shares and community buyouts. Finally, we need to encourage co-operative researchers to focus on the link between a green economy and a co-operative economy. Because of their commitment to embeddedness rather than growth, their focus on fairness rather than profits, and their ability to balance social and environmental demands, co-operatives have a particular role to play in the creation of a green economy which is now the political and economic priority.

Notes

1. For more detail on the ICB and its membership see the website: http://bankingcommission.independent.gov.uk/bankingcommission/; for more information on the film about the inside job on the US side of the Atlantic see: http://www.rottentomatoes.com/m/inside_job_2010/

2. These data relate, respectively the the Bischoff and Wigley Reports: Bischoff Report: (2009), *UK International Financial Services—The Future: A report from UK based financial services leaders to the Government* (London: OPSI); Wigley Report (delivered within a month of the Conservative government election in 2010): (2010), *Unlocking Investment to*

Deliver Britain's Low Carbon Future: Report by the Green Investment Bank Commision (London: Green Investment Bank Commission).

3. http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8147814/Kent-Reliance-narrowly-wins-vote-on-JC-Flowers-tie-up.html

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