



# The Parallel Economy

*there IS an alternative*

## 1. Introduction

There exists in the world today a complete economy, nestled within the mainstream economy, but separate and different in many ways.

It has its own companies, corporations, factories, distribution networks, retail outlets, offices, banks, insurance, colleges, farms, fisheries, telecoms, ITC services, pharmacies, funeral services. Mysteriously, it began in the UK over 150 years ago and has now spread to almost every other nation on the planet.

It has an enormous asset base amounting to more than \$20 trillion, generating a turnover of over \$3 trillion. This means that this "Parallel Economy" is now a very significant part of the global economy. If it were a single country, it would be the fifth largest national economy in the world. (Source: UN Report "Measuring the Size and Scope of the Cooperative Economy" - Dave Grace Associates, 2014.)

Unlike the mainstream economy, this Parallel Economy isn't dominated by big, rich, powerful speculators with overwhelmingly huge shares and, perforce, equally huge voting blocks. It is, instead, owned and controlled by its millions upon millions of members.

We are talking, of course, about the co-operative economy.

## 2. The Difference

Currency simply doesn't move around in the co-operative economy in the same way as it does in the mainstream. Because of the redistributive nature of the co-operative model, currency cannot exponentially centralise into the hands of fewer and fewer people. And, in part because of this, the power normally associated with wealth simply doesn't accrue.

I say "in part", because the other element at play is the sector's own obsession with valuing humans over riches. No matter how rich you might be, your vote will never be more than the equal of the street sweeper next door. Even if you have devoted your entire life exclusively to the accumulation of wealth, your vote will not count for more than someone who has devoted his/her entire life to fishing, or house cleaning, or education, or the health and well-being of others.

The mainstream economy is dominated by corporations run on the basis of one share, one vote.

The co-operative economy is dominated by corporations run on the basis of one person, one vote.

This can be discouraging for billionaire speculators, but all the evidence tends to suggest that the human qualities prevalent in the average billionaire speculator are not the qualities the intelligent among us would wish to see determining the parameters of planetary life (see "the New Mutants").

### **3. Just to reiterate**

Just to reiterate, there are a number of essential differences between co-operative companies and corporations and standard model companies and corporations, but foremost among these is this difference in defining the voting franchise. In the standard model, the more you own, the bigger your vote. In the co-operative model, no matter how much you own, decision-making is still done on the basis of one person one vote. No matter how many shares in a co-op you might hold, you are never entitled to more than one vote.

The co-op values you as a person; not you as a repository of wealth.

This is, of course, why co-ops are so unattractive to big speculative investors. They want to be able to throw their weight around in proportion to their ownership of shares. But no matter how much capital they might bring to a co-op, they will still only get one vote. And what big speculative investor will want to play on a level field with ordinary, perhaps not even rich, members?

This is also why you hear so little about the co-operative economy. The mainstream corporations own the mainstream media outlets. Why would they have any interest in expounding the humane values let alone the scale of the co-operative economy?

The co-operative economy is dominated not so much by rich swash buckling speculators as by ideals, principles, values (see Section 6 below), and concern for the wider community – be it local or global. These concerns are built into the very constitutions of co-operative corporations and into the fibre of the international networks to which they affiliate.

### **4. Imagine**

Imagine if, by some fantastic confluence of circumstances, standard model corporations were declared illegal (because, say, they infringed democratic human rights) and co-operative corporations became the norm. What would happen?

Well, for a start, a totally different breed of person would gravitate towards the top. No longer would ruthless psychopathic ambition be rewarded in the way it is now. Corporate heads would be imbued with co-operative Values & Principles and would be monitored by elected Boards driven by those same influences.

What would happen to all those rich swash buckling speculators? Well, they'd have to take up other interests to sate their blinkered but manically profit and bonus driven ambitions. They might take up sport for example. Maybe extreme golf, or even actual gambling. In any event, they would be removed from the positions and corridors of power which they currently inhabit to the detriment of humankind and planetary ecosystems.

The hysterical “growth” cycles into which we are currently driven would relax and economies would slow down. The dishwasher you ordered might not arrive next day. You might have to wait a week or so. The new car in your chosen colour scheme might not already be awaiting you in the show room. Decisions to trash tropical rain forests or drill under polar ice caps or strip mine national parks would take much longer as lengthy and binding consultation exercises would have to be embarked upon. “Competitive edges” would be blurred as competing corporations looked for ways to co-operate as per the 6th principle (see below).

### **5. The Interface**

Unfortunately, as suggested above, the co-operative economy nestles within the mainstream. It has, perforce, dependencies on the host organism. So what happens at the interface between the parallel economy and the host economy?

Well, the nationally accepted currency has still to be used, as does the western model of privatised central banking. This means that even the Parallel Economy gets dragged into boom and bust cycles, but it has an inbuilt delay factor which protects the membership from some of the more extreme vacillations.

For example, during (one of) the recent banking crises, the co-operative and mutual\* banking sector actually increased market share as more and more people looked for something that wasn't quite so wildly vacillatory; so bonus and share-price driven.

But on the negative side to this dependency on the mainstream, a recent, more specific, example is readily available. The Co-operative Group - the largest co-op in the UK - used to have its own bank – the Co-operative Bank. Some bad decisions were made by The Group with regard to some unfortunate mergers and the bank suddenly found it had parasitic hedge funds on board. “Distressed” bonds were bought up at knock down prices and high-powered legal teams were fired up to extract full value (see “La Debacle”). The Group's 100% ownership of the bank dwindled, almost overnight, to 20% (and counting).

Less recently, in the era of Thatcher/Reagonomics, the hounds of greed were released and (as if they needed it) incentivised through a range of deregulatory initiatives. We are still labouring under the outcomes of these today, but at the time the co-operative and mutual sector took a series of major hits. These were realised through “de-mutualisation” - a process whereby speculator entryists took up memberships and agitated for asset stripping. Great ships like Abbey National and the Halifax were delivered into the hands of carpet bagging speculators and are now standard model corporations in the front line of contributing to the boom and bust cycles with which we are now so familiar.

\* A mutual enterprise is one which trades exclusively with its own members. Building societies are the best example. You cannot save at a building society without becoming one of its members.

## **6. Protecting and nurturing the Parallel Economy**

In the short to medium term, we need to do more to protect the co-operative economy at the interface.

In the longer term we need take control of the interface. We need to become the tail that wags the dog.

We need to maximise and popularise the distinction between standard model speculator corporations and the more benign co-operative and mutual ones.

We need actively to disengage with the mainstream economy and reinvest / trade with and within the parallel economy.

We need protect and nurture the global co-operative commonwealth by turning our backs as much as ever possible on the mainstream economy.

We need to develop a global co-operative currency to complete the disengagement from and the dependency on the above mentioned “interface”.

## **7. Values & Principles**

The other differences between standard model speculator corporations and co-operative corporations reside in the area of “Values & Principles”. In essence, co-operative corporations have them; standard model corporations do not.

A co-operative is defined, internationally, as being “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”. It adheres to specific “values” which are listed as “self-help, self-responsibility, democracy,

equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

There are seven internationally recognised principles underlying all co-operatives, whether small companies or multi-national corporations. These are as follows:

**1st Principle: Voluntary and Open Membership**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**2nd Principle: Democratic Member Control**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

**3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

**4th Principle: Autonomy and Independence**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

**5th Principle: Education, Training and Information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

**6th Principle: Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

**7th Principle: Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

- Martin Strube, March 2019

