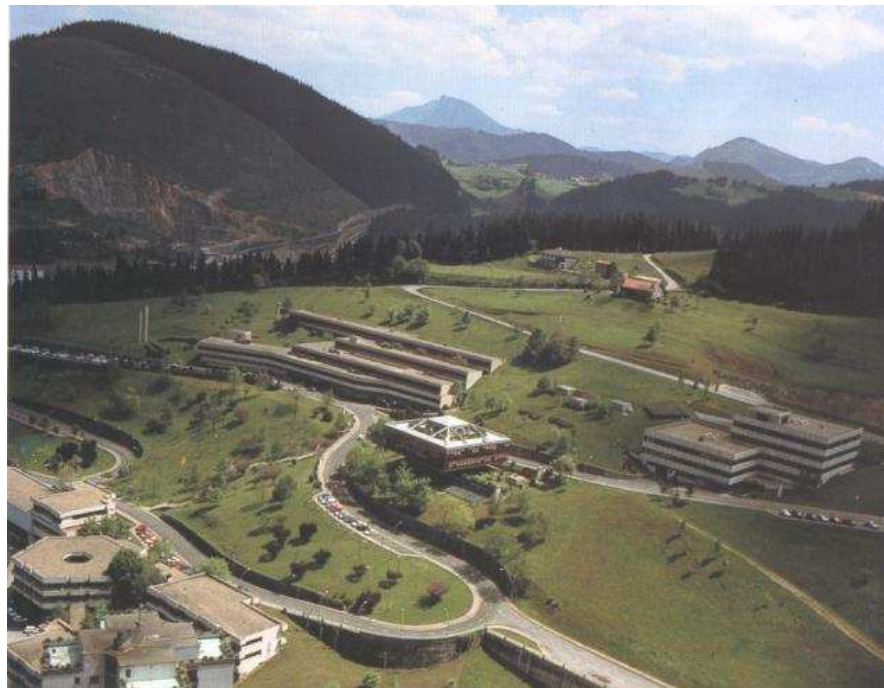


SOCIAL ECONOMY, FINANCIAL CRISIS AND PUBLIC POLICIES

EESC. Brussels. 22.10.2009



THE CURRENT FINANCIAL CRISIS

Different than previous crises.

- .. There have been other crises due to imbalances between supply and demand.
- .. There have been other financial crises.
- .. But **THIS CRISIS IS DIFFERENT.**

THIS CRISIS IS DIFFERENT because:

- .. The center of the world's financial system is in crisis (Wall Street/City).
- .. This is a general crisis: All kinds of institutions, markets and countries.
- .. The depth of the crisis.

KEY QUESTION: Doubts about the capacity for short-term reactivation of the Central Financial System (Wall Street/City) and about the consequences in governmental budgets. A very high risk that this particular crisis becomes a “systemic” crisis.

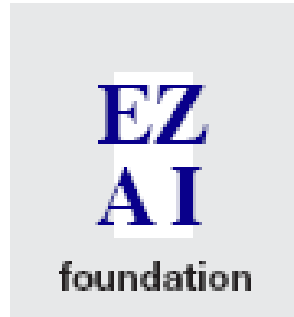
FINANCIAL CRISIS IN OUR REGION:

(MONDRAGON is basically located in the Basque Country).

GENERAL FACTORS:

- .. Fall of international sales
- .. Drop in consumption and investment
- .. Overall business credit restrictions

FINANCIAL CRISIS IN OUR REGION: DIFFERENTIATING FACTORS.



- .. The situation of the financial institutions is not so bad.
- .. The industrial sector has not lost its specific weight: The reduction in international demand has had a larger effect than the drop in internal demand.
- .. Large debt-selling capacity in the basque government.

BASIC DECISIONS CONCERNING THE DROP IN DEMAND.



INVESTOR OWNED BUSINESSES	COOPERATIVES
<ul style="list-style-type: none">.. Reduced spending... Early vacations... Temporary unemployment... Final unemployment/layoffs... Internalize subcontracts... Investment containment.	<ul style="list-style-type: none">.. Redistribution of employment among cooperatives... Workers' decisions on wages reduction.

WAGES CONTAINMENT IN COOPERATIVES

2 different systems:

- .. Internal salary scheme that automatically adapts salaries to profitability and asset stability.
- .. Specific decisions made by the employees on a yearly basis (In General Assembly or Board of Directors).

At this time, significant wages modifications are taking place in both cases.

BASIC DECISIONS. CONCERNING FINANCIAL DIFFICULTIES.

INVESTOR OWNED BUSINESSES	COOPERATIVES
<ul style="list-style-type: none">.. Public aids... Revision of leverage models.	<ul style="list-style-type: none">.. Inter-cooperative loans... International financing... Revision of leverage models.

BASIC DECISIONS. KEEP INNOVATING.

- .. It is not an easy time for this strategy.
- .. This requires left-over resources after facing serious short term problems.
- .. The effort being made by the workers to generate resources is essential for the cooperatives.

BASIC DECISIONS. STRATEGY REVISION.

- .. Very complicated at this time.
- .. It is difficult to know what to expect in the short-term. Along with the natural progression of the market, it is difficult for markets to rebound while the financial sector in countries like the USA, UK and Spain is not reactivated. This depends largely on political measures. On what kind of political measures are taken and when.
- .. Consequences: Difficulty in forecasting the depth and duration of the crisis.

BASIC DECISIONS. STRATEGY REVISION (Cont.)

- .. Usually: 3 different strategic scenarios:
 - a) Optimist: The market situation does not vary from September 30, 2009.
 - b) Pessimist: Market reduction by approx. 30% to 40% of figures at September 30, 2009.
 - c) Intermediate.

BASIC DECISIONS. STRATEGY REVISION (Cont.)

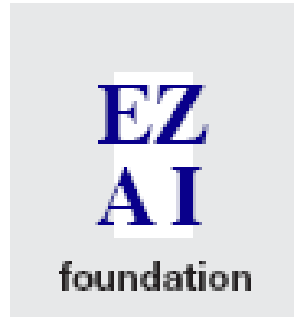
- .. A review of the forecast of the strategic scenario every 6 months.
- .. Internationalization/Exports: Reduction in the weight of Europe/USA and increase in China /India.
- .. Generate resources to withstand the situation in the short term and keep competing in innovation.

DECISIONS TO BE TAKEN. THE IMPORTANCE OF PUBLIC POLICIES.



- .. Previous crises were withstood basically by the private sector.
- .. The size and scope of this crisis are making that scenario practically impossible in many cases.
- .. Public policies in each country will be key to be able to keep the industrial fabric of each country.
- .. Conclusion: **Active efforts must be made to influence public policies.**

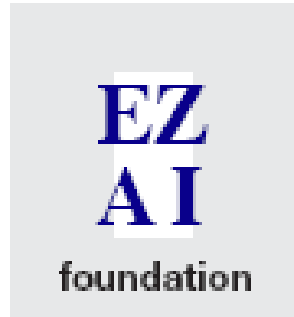
DECISIONS TO BE TAKEN. THE IMPORTANCE OF PUBLIC POLICIES (Cont.)



- .. **Active efforts must be made to influence public policies.**
- .. **MONDRAGON: EZAI Foundation.**

Basically: Economic Policy, Innovation Policy, Policies concerning Social Economy and cooperatives.

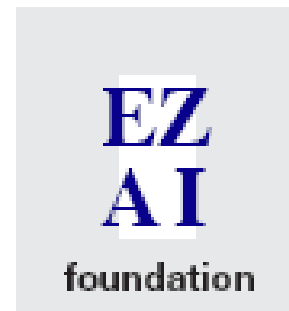
PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (1)



1. AVAILABILITY OF GOVERNMENT RESOURCES TO WITHSTAND THE CRISIS.
 - .. Related to the current situation: Deficit volume, debt volume.

2. USE OF RESOURCES APPLIED TO WITHSTANDING THE CRISIS. BASIC OPTIONS:
 - .. Demand policies.
 - .. Supply policies.
 - .. Financial sector support policies.

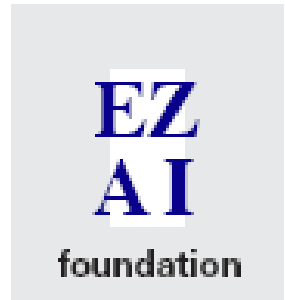
PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (2)



3. CONFRONTING THE SCARCITY OF PUBLIC RESOURCES, PRIORITIES MUST BE FIXED:
 - .. Marginalization risks (unemployment ...)
 - .. Saving the industrial fabric
 - .. Investment in innovation and infrastructures.

4. OTHER BUDGET EXPENDITURES SHOULD BE KEPT DOWN.

PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (3)



5. The different governments (regional, member states, European Union) should work together.
6. What about a real European policy confronting the crisis?
7. Social and Economic Dialogue concerning:
 - .. the causes of the crisis and
 - .. what must be done in Europe to make sure that it does not happen again.

PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (4)



8. All the economic and social agents should take part in the economic and social dialogue about the financial crisis.
Social Economy should be there.
9. POLICIES CONCERNING THE FINANCIAL SECTOR.
 - .. Governments should be very cautious with direct help to the financial sector.
 - .. The only resources that should be channeled to the financial sector should be those that guarantee productive or social credit, not just improving bank balance sheets or profits.

PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (5)



10. MAXIMIZE AIDS TO SMEs/SOCIAL ECONOMY:

- .. Maximize aids to SMEs/Social Economy:
 - a) Tax reductions.
 - b) Financial help (working capital / innovation / training).

11. A NEW ECONOMIC POLICY.

- .. A New Economic Policy with new values must be promoted.

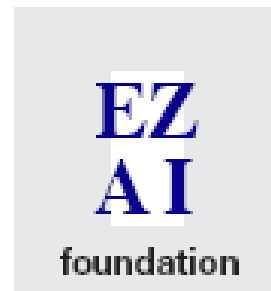
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PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (6)

11. A NEW ECONOMIC POLICY. Cont.

- .. REAL PRODUCTION AND WORK VERSUS CAPITAL.
Capital should mainly be a recognition of the effort of saving the product generated by work, know how and creativity and not a value in itself.
- .. Real Economy versus Monetary Economy.
- .. A new statistical methodology. More relevance to the real economy versus financial economy, also in statistics.

PUBLIC POLICIES AND THE FINANCIAL CRISIS. A FEW KEY POINTS (7)



12. PROMOTE REAL COMPETITION IN THE FINANCIAL SECTOR

- .. The solution cannot be just a matter of more or less regulation in the financial sector.
- .. Regulation of the banking sector-what is regulated and how-cannot be a way to protect financial oligopolies.
- .. The world's economy cannot be at the service of the financial sector.
- .. Renewal of anti-trust policies. Also in the financial sector.
- .. Promote mutual and cooperative banks.

PUBLIC POLICIES. CONCLUSION:

SOCIAL ECONOMY MUST BECOME MORE ORGANISED
AND VERY ACTIVE IN RESEARCH AND PUBLIC AFFAIRS
IN ORDER TO:

- a) Change the economic policies being put into place to manage the crisis.
- b) Promote a New Economic Policy.

THANK YOU VERY MUCH.

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