

FINANCIAL GOVERNMENTALITY IMPLICATIONS OF FINANCIAL DECISIONS OF TOBACCO COOPERATIVE IN ARGENTINA

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ABSTRACT

This paper presents a summary of the arguments supporting the thesis on the influence of financial governmentality in financial decisions in tobacco cooperatives in Argentina. This thesis was defended by the author at the University of Buenos Aires and is supported by a cooperative study of Jujuy, Salta and Misiones in the period 1969-2009.

KEYWORDS: Financial Governmentality; Financial Decisions; Tobacco Cooperative.

INTRODUCTION

This paper summarizes the arguments of the following thesis: 1) The financial governmentality is the technology of the power of capitalism, in its current mode of financial development. Operates as an autopoietic system whose component elements are globalization, financial markets and corporate governance. 2) The existence of a cooperative form of government, based on partnership, is not independent of financial governmentality, which operates as a premise for the financial decisions of cooperatives. 3) The financial governmentality conditions the application of an associated first vote, in the cooperative financial decisions, constituting interference factors greater bargaining power, the power and influence of the stakeholders. 4) The financial governmentality limits the application in the financial decisions of the cooperative, of principles cooperative value creation, streaming services to partners and use value of money. 5) The financial governmentality degenerates surplus rate cooperatives and hinders the consideration of factors such as the need for growth, capitalization, provisioning and service partners. 6) The financial governmentality

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increases the risk of cooperatives and neutralizes the influence of factors such as cooperative integration, mutual trust among members and solidarity derived from the collective project of building cooperative subjects.

DEVELOPMENT

Governmentality, government, governance, governability

What I call financial governmentality (Agüero, J.O., 2010) begins with the Bretton Woods agreement, the gold standard and the creation of international financial agencies; is developed with the Marshall Plan, transnational corporations, international banking, technology and -in the 1970s- the dollar standard, financial deregulation, the oil crisis and international financial markets; and finally expanded on a global scale -from the 1990s- with the global hegemony of capitalism, electronic money, the government of the G-8 and the new world order. As Foucault argues (2007), governmentality and government are two concepts that imply each other, although the former is broader and defines how the conditions and the type of government that occurs in a given historical moment. While for Binkley (2009) neoliberal governmentality involves temporality and specific forms of subjectivity, to Frazer (2003) involves more discipline, since for this author Foucault is the great theorist of the Fordist mode of social regulation. Similarly, for Gibson-Graham (1996) is the deepening and not the end of capitalism. Meanwhile, Derek (1999) warns about the duality of power involved governmentality and limits in relation to criticism and social emancipation. In the same way is located the work Lemke (2000). In a different position is located Zwick and others (2008), who used the ideas of Foucault to criticize the business paradigm of co-creation of value as a means of disciplining consumers and as contrary to the freedom of choice of these.

Another argument is generated with the concepts of governance and governability. The word governance comes from the French word *gouvernance*, first used by Charles D'Orleans in the fifteenth century to refer to the art of government, ie the form of governance and government activities. Its equivalent Anglo-Saxon *governance* is from the late seventeenth century. However, the notion of governance emerges strongly in the field of business in 1937, in the United States, with studies on corporate governance and then at the government sector, in the 1970s, with the strategic program on governance of the world formulated by the Trilateral Commission in the context of the globalization of capitalism.

However, in the political and social use tends to equate each other the meanings of government, governance and governability. As contended by Roitman (2002), the Washington Consensus, confirms the program of the Trilateral Commission, recommending the implementation of neoliberal policies to strengthen governance. Similarly, as argued Kaufmann and Kraay (2001), the World Bank and the United Nations Program for Development recommend that countries implement programs for good governance, reducing it to the control of corruption, protection of the rights of ownership, accountability, government effectiveness, regulatory quality and political stability. For political science, governance as a category of analysis originally referred to political stability and relations between actors and political institutions. However, after extending its meaning, referring generally to the dynamic balance between social demands and government responses. That is, it incorporates on one hand the relationship between government and society and, on the other hand, social conflicts. To Camou (2001) governance refers to the action and effect to govern and to govern or governability to how to govern. For this author, governability refers to the ability of the government to maintain law and order, effectively manage the economy, promote the general welfare and control the political and institutional stability. In a more descriptive definition, Prats (2001) considers governance as an attribute of societies sociopolitically are structured so that all strategic actors interact to make decisions and resolve conflicts authority under a system of rules and formal and informal procedures. In the same way, Michel Coppedge, quoted by Camou (2001) defines governability as the degree to which the political system is institutionalized, meaning turn institutionalization as the process by which organizations and procedures acquire value and stability. For its part, Kooiman (2006) understands governability as a sociopolitical system capacity to govern itself in the context of other broader systems of which they are part. This concept differs from governance, as it refers not to a capacity but also the processes that organize the interaction between actors and the system of rules by which a society takes collective decisions, as argued Calame (2003). However, while the concept of governability has been the subject of many studies and has been relatively theoretical development, not so with the concept of governance, whose content varies according to the study in which it is used. In short, governmentality is a broader concept that government, governance or governability. It refers to the practices constituting a particular system of government in a historic moment and includes micro power relations that exist between actors, subjects, social groups and

institutions, and macro power relations that occur at the level of government policy between countries or within a country or region.

The tobacco industry in the world

The snuff is grown in over 80 countries worldwide. However, the production of this crop has been increasingly concentrated. Currently, 60% is produced in Asia, 11% in North and Central America and 11% in South America. Currently, five countries -China, India, Brazil, United States and Zimbabwe- produce 70% of global snuff and two of these countries -China and India- concentrate 50% of world production. World production of snuff is stabilized in the 2000s at an average of 6 million tons per year. Brazil is the leading exporter, with 20% of the total. Other exporting countries are, in order of importance, the United States, India, Zimbabwe and Italy. China is the largest importer, followed by Russia and the United States (Source: FAO).

Path of the tobacco industry in Argentina

The tobacco industry in Argentina has gone through four distinct historical moments: a) craft production between 1580 and 1895, b) the importing industry craft production between 1895 and 1930, c) national tobacco agrobusiness between 1930 and 1965 and d) agroindustrial complex transnational tobacco from 1965 onwards.

a) The snuff was introduced by the Spanish in Salta from Alto Peru in 1580 and are cultivated in Misiones before the arrival of the Jesuits in 1609. For three centuries it was traditional practice traditionally played. The market was mainly for family and social consumption. Indigenous people used it for religious and special occasions as part of rituals and celebrations.

b) In 1612 began the cultivation of snuff in the U.S., exclusively commercial. The business then moved to England and growing rapidly. In the late nineteenth century, with the arrival of British capital and European immigrants, begins in the country's industrial and commercial exploitation of snuff. In 1913 it installed the first British capital tobacco industry. Snuff were imported mainly industrialized and only a fraction of national snuff, whose production is still handmade.

c) From the 1930s, tobacco agribusiness expands nationwide, with more than 20 national tobacco companies, which is then concentrated and reduced to four, plus an English

capital that was installed in 1913. The cultivated area and the number of producers increase. In Corrientes and Misiones expanding black tobacco cultivation and in Salta and Jujuy blond tobacco. In the 1950s, the domestic market is saturated, and then started the search for external markets. Snuff exports grow rapidly since the 1960s.

d) With the military dictatorship installed in 1966 began the process of transnationalization of the country's tobacco industry. The four national tobacco companies are acquired by foreign companies, leaving the Argentine tobacco agroindustrial complex by five foreign companies. From the state, subsidizing corporations buying snuff, by the Special Snuff Fund established by law in 1967. Then with the next military dictatorship installed in 1976, tobacco agribusiness focuses on two large transnational corporations, one English and one American origin.

The tobacco economy in Argentina

The national tobacco economy has very particular characteristics, for the historical trajectory that had the industry, by the actors involved, the degree of integration and economic concentration achieved, their dual nature of regional economic output and in turn transnational and the number of families of small producers that involves activity. For the cultivation and harvesting of snuff it required intensive labor, family and non-family. To produce 1 acre of snuff is required on average 130 working wages, while cotton requires only 28 wages, sugar cane 65 and vine 85. Each campaign mobilized no less than 27,000 tobacco growers, of which more than 90% work on very small surfaces, which do not exceed two or three hectares per household. Snuff production is done in 7 provinces of northern Argentina: Jujuy, Salta, Tucumán, Catamarca, Misiones, Corrientes and Chaco, although more than 80% were concentrated in order of importance-in Misiones, Salta and Jujuy. The production volume did not exceed 7,000 tons until 1930. In the 1960s, increase more than 60,000 tons and in 1990 100,000 tons, reaching a historic record of 161,064 tonnes in the 2004/2005, the favorable exchange rate for export. In the season 2008/2009 was 135,531 tons, with a 50% of tobacco cooperatives and 37% of corporations Alliance One and Massalin Private. Snuff exports become important from the 1960s. By the late 1990s reach 50% of total production and now exceed 80%. Almost 90% of exports consist of Virginia and Burley destemmed tobaccos, with an economic value in 2010 of \$5,830 Tn. The main buyers are the Russian Federation, the European Union and the United States. Snuff imports do not

exceed 10% of national production and only 10% are destemmed tobacco. In the past three years, the tobacco industry gave the market a total of 6,375,580,991 packages of 20 cigarettes, whose average retail is \$ 1.30 per package. This implies a direct contribution of the tobacco industry to GDP by 2.763 million dollars per year, which corresponds add snuff exports and 20% indirect contribution by activities generated or derived from snuff. With these additions, the total contribution of the tobacco sector to GDP is about 3,500 million per year (Source: SAGPyA).

For internal taxes, value added tax, customs tariffs and deductions, special fund and other contributions snuff tax domestic tobacco economy generates per year not less than 1,800 million dollars in revenue to the state. Only by the Special Fund Snuff generated no less than 190 million dollars in revenue per year, of which 80% goes to the producers and the remaining 20% to provincial plans reconversion tobacco provinces. The snuff value chain activities include cultivation, harvesting, storage, processing leaf snuff, tobacco product manufacturing, distribution, wholesaling and retailing. With an average of 80,000 hectares per year, needing 130 labor days per hectare, length of production cycle of 180 days per year and an average of four members per household, the primary production of snuff demand 230,000 direct jobs. For its part, the industry provides employment to about 7,000 workers, the distribution to other 2,500 workers and marketing chain and retail to another 180,000 workers. This implies a total of 419,500 direct jobs, to which must be added the indirect jobs generated by activities related to snuff. Consequently, the occupation linked to the tobacco economy of the country is estimated at 500,000 jobs, direct and indirect (Source: SAGPyA).

Tobacco Cooperatives in Argentina

Cooperatives emerged in Europe in the mid nineteenth century, as social economy organizations and within the framework of social issues arising from economic exploitation and impoverishment caused by industrial capitalism. The first cooperative was founded in Rochdale, England, in 1844. Between 1870 and 1970, state intervention in the social question turns into a loss of sense of social economy. Cooperatives are then reduced to adapt microeconomic and capitalism as cooperative sector. After the crisis of the welfare state, cooperatives resurface strongly in the 1970s, as collective action strategies and instruments of solidarity, partnership and self-management.

Latin American Cooperative Experience comes with European immigration in the late nineteenth century. Takes many forms in different countries and is generally more heterogeneous than the European cooperatives. It consolidates as a socioeconomic system in rural and urban areas, responding to needs of production, savings, credit, consumption and public services. These specific demands aside theoretical and ideological issues underlying the European cooperative. The constant interruptions of democracy and the installation of military dictatorships permanently strained relations between cooperatives and American governments, although cooperatives survived by their versatility and autonomy.

The agricultural cooperatives born in our country in the second half of the nineteenth century, without interference from the State and from the hand of European immigration and the need for partnership and defense against the threat posed by the political and economic power of merchants and landowners. Until the passage in 1926 of the first law of cooperatives, agricultural cooperatives growth is very slow. Then it's accelerated by the regime of import substitution industrialization and the inclusion of cooperatives in public policy. The tobacco cooperatives emerged in our country in the late 1960s by a combination of at least five factors: the mode of production of the tobacco industry, the process of social differentiation and social actor's constitution as tobacco producers, the agroindustrial complex evolution of tobacco, tobacco policy of the State and the need for partnership and economic organization of producers. Given the frequent abuses of power in business relationships, abuse and manipulation of prices, quantities and types of snuff which the producers gave, they grew in awareness and the need to implement any collective action in order to defend transnational corporations. In this way, associate and create cooperatives, accompanied and supported by the State through the Technology Fund Snuff, created in 1967 by Decree national No. 17,461 and ratified as Special Fund Snuff in 1972 by the national law of snuff No. 19,800.

In its historical development, tobacco cooperatives experiencing three stages: a) foundation, that between 1967 and 1975, in Jujuy and Salta, with the establishment of the first two cooperatives, b) regional expansion, which is between 1976 and 1983, with the creation of cooperatives in Tucuman, Catamarca and Corrientes c) of specialization, which occurs in Misiones, Chaco and Tucuman, after the restoration of democracy in 1983. Cooperatives earn foreign markets and their participation in the production of snuff in the country exceeds 50% in the 2000s. Tobacco cooperatives grew rapidly between 1969 and

2009. The collection volume grew at an average annual rate of 5.5%, while sales grew at an average rate of around 10% per year and the assets at an average rate of over 12% annually, as equity. The number of members was increased in the case of cooperatives of Salta and Jujuy and decreasing in the case of cooperative in Misiones. By the late 2000s, together cooperatives had annual sales of \$200 million, total assets of \$217 million and net worth of \$55 million dollars.

The investment structure of cooperatives, in the period 1969-2009, had an average share of 70% of working capital and 30% of fixed capital. The most important assets were inventories, the current receivables and assets, with an average participation of 40%, 25% and 24% respectively. This structure differs slightly in the case of cooperative in Misiones where inventories and fixed assets have a 26% and 37% respectively. In the same period, cooperatives were funded on average 1/3 with capital and 2/3 with third party capital. The short-term debt had an average share of 52%, although this share was 63% in the case of the cooperative of Salta and 39% in the case of cooperative in Misiones. The main sources of funding, in order of importance, were the clients with 23%, the special fund of snuff with 16%, depreciation at 12%, reserves with 11.5%, the share capital in 9.7%, providers with 8% and lower percentages private banks, public banks and various creditors. In the period 1969-2009, the cooperatives had contributions (difference between sales and cost of goods sold), equivalent to 22% of sales and operating surpluses by only 2%, and operating expenses incurred amounting to 20% of sales. Besides, other income and expenses were equivalent to 13% and 4% of sales and expenses equivalent to 11%, which had no net surplus on average. In the case of cooperatives of Salta and Misiones, had no surplus but operating losses and operating expenses were greater than the contributions. However, while both of them had other income equivalent to 14% of sales, financial expenses tripled Skip cooperative to the cooperative in Misiones with which it operated with a net loss equivalent to 4% of sales, while it earned net surplus equivalent to 7% of sales. Cooperatives operated at an average rate of economic surplus of 15%, an average rate of cost of borrowing of 21% and 250% average indebtedness. This implied that cooperatives were not only leverage but operated with a strong financial mismatch. The average operating cycle was 303 days and the average payment term of 164 days, which cooperatives should have operated with a minimum current ratio of 1.8 or with working capital at least equal to 80% of debt short term. On average, cooperatives operated with a sales level of 77% below the equilibrium point and

therefore did not have coverage for risk margin, but had a 1.7 average solvency. Also financed 50% of current receivables, inventories and fixed capital with short-term funds, with the risks involved and should be financed with long-term funds.

The financial governmentality as an autopoietic system

The financial governmentality is the technology of power of capitalism in its current mode of financial development and operates as an autopoietic system whose components are elements of globalization, international financial markets and corporate governance. The notion of autopoietic, taken from biology to social sciences by Niklas Luhmann (1998), refers to those social systems consisting of elements produced by the systems themselves which these elements are components. In this way, these systems work and reproduce through processes closed, closed, circular and self-referential. These same attributes are given in the case of financial governmentality. Itself was producing elements in turn were forming: globalization since the 1940s, the international financial markets since the 1970s and the corporate governance since the 1980s. His only reference is itself and also its only justification. Everything else is excluded, closed, for the thesis of the end of history. Before the end of the Second World War, the contest winners countries, mainly the United States and England, the world choose to install a new form of capitalism, much more sophisticated than previous and financial nature. This new form of capitalism is inaugurated at Bretton Woods in 1944 and developed through a financial governmentality a regime that is embodied in the world through three instruments very effectively and efficiently: globalization, international financial markets and governments corporate. These three elements are produced by the system of financial governmentality, which these same elements are part and constituent components, thus generating a circular process, internal, closed and autonomous, which allows and enables the continuity of the system through self-referential autopoietic reproduction thereof.

The globalization process began in the 1940s with the implementation of the Marshall Plan for European reconstruction. This allows expansion in Europe of large U.S. corporations, which are then transformed into large corporations. U.S. banks accompany this expansion, becoming international banks and then make up the global banking. A third key element in this process is the rapid development of information technology and telecommunications, based on scientific knowledge generated during the war. In the 1970s

financial markets were developed, with the oil crisis and the masses of dollars mobilized oil price hikes and euromarkets deposits formed with petrodollars. This process was helped by the economic and financial deregulation promoted by the United States in the early 1970s and acquired autonomy to separate financial flows of trade flows. Two further consolidate events ending this process are the fall of the Berlin Wall in 1989 and the development of electronic money as a new form of money. This expansion of capitalism as a global hegemon, as also of the large transnational corporations, global banking, global markets and the broad masses circulating cash flow in the form of electronic money information problems escalated, control and separation of ownership and management of corporations, ie corporate governance issues. There is a loss of confidence in the international financial system and this feeds the increasingly frequent crises and acute.

The financial governmentality and government cooperatives

The existence of a cooperative form of government, based on partnership, is not independent of financial governmentality, which operates as a premise for the financial decisions of cooperatives. Cooperation is a spontaneous act born of freedom and the human capability will to choose to join others to cooperate, but this spontaneity is not enough to sustain a cooperative organization in time, planned action is needed and shared intentionality that makes collective action possible, and that cooperation has a sense of action and collective motion. The cooperation is based on the association, which is broader and cooperation that comes from the social nature of man. As a phenomenon, cooperation is explained only in the context of the associative nature of human beings, is a way of association and, as such, requires an organization to be continuous and lasts over time. These organizations are cooperatives, which can be defined as organizational forms of partnership based on cooperation. While cooperation can take many different forms, cooperatives have only historical existence as organizations; this is like human groupings continuity over time beyond its members. It expressly rejects the dualistic conception that cooperative organizations are combinations of human groupings, on the one hand and on the other, companies that produce goods and services. It rejects the idea that they are companies conducted by or associations or that they are organizations that work with two structures: one business and other associations. It is difficult to differentiate a unit called business, from other called human group, in an organization called cooperative, considering

that every company is an organization and every organization is a human group. Cooperative organizations born of collective decisions made by certain human groups and also sustain and grow collective decisions of its members. However, these decisions are not independent of other decisions that operate as premises. In this sense, financial governmentality operates as a premise for government decisions cooperatives. Its components, ie globalization, international financial markets and corporate governance, operate as decisional networks in which fall in one way or another government decisions cooperative, which can not be abstracted from them. The same decision to create the first cooperative in 1967 tobacco country is not independent of the network decisions that led, developed and were setting the tobacco agro-industrial complex. The same applies to the expansion and development of tobacco cooperatives, which did not occur independently of concentration and transnationalization of tobacco agro-industrial complex. While cooperatives are governed by the principle of association, its decisions are not independent of a network of decisions made by others and represent the environment, the border and the boundaries of those decisions. The rules of the tobacco industry in Argentina do not arise from decisions of tobacco cooperatives, or provincial or municipal governments, or the producers. Are decisions made by national governments and transnational tobacco corporations, which are not independent of the conditions created by the financial governmentality.

Financial Governmentality and decisions of the cooperative

Financial Governmentality determines an associated the principle cooperatives voting, constituting interference factors greater bargaining power, the power and influence of the stakeholders. The cooperative is owned jointly, collectively and undivided. It is an equal and equitable right that had each partner and does not depend on the capital provided as in the case of non-cooperative firms. However, this democratic right is indeed strongly affected by internal and external groups interested in cooperatives. The bargaining power and influence of these groups determine the decisions of cooperatives, which in practice end up replacing the formal right partners. These groups are formed by the partners themselves, directors, managers, plant employees, contractors, consultants, customers, suppliers, banks, creditors, local governments and social organizations. Not all of these groups exert the same power, and that this is not a thing but a social relation between subjects in which one influences and modifies the behavior of another. In the construction process of power, subjects used a

variety of resources, strategies and devices. In the period 1969-2009, tobacco cooperatives responded to certain collective mandates that gave rise to them. These mandates were the premises that guided the path of cooperatives and legitimized the decisions that were taken. The decisions were considered valid and necessary to the extent that these mandates were part of groups. The premise of ensuring the sale of the production was the basic mandate that drove the development of tobacco cooperatives. This mandate has as object to ensure the income of producers. Thus, for the boards of administration, the important thing was to fulfill this mandate, beyond that implied invest more or invest less, borrow more and borrow less, be above or below the point of economic equilibrium or have more or less financial implications. The tobacco cooperatives adopted vertical integration strategies with clients and producers to secure financing and the sale of production and to ensure the delivery of snuff, respectively. Thus, the cooperatives themselves become agroindustrial complexes, like transnational tobacco corporations operating in the country and this is a direct consequence of the form of governance produced by financial governmentality. Vertical integration strategies allowed tobacco cooperatives not only secure the sale of production, but also to have funds to finance its operating cycle and move those to the producers, to change snuff delivery commitment. Customer advances were the main source of funding for tobacco cooperatives. On average, represent a high percentage of total funds used by cooperatives for financing. In the case of cooperatives of Jujuy and Salta, this percentage was higher, even at 80% and 100% at times and guaranteed loans with bank guarantees, mortgages and pledges. In conclusion, an associate one vote principle, whereby cooperatives as social organizations opposed to the logic of capitalist accumulation, historically attempted to democratize economic power companies in the world, is now, due to financial governmentality, strongly blurred and conditioned by the bargaining power, the power and influence of the stakeholders, particularly customers. International Buyers used vertical integration strategies to have financial control, business and technology of cooperatives and snuff production and processing, in order to guarantee the process of accumulation and appropriation of economic tobacco surplus.

Financial Governmentality and cooperative principles

Financial Governmentality limits the application of the principles of cooperative value creation, flow of services to partners and use value of money. According to the tenets of

economic theory, companies seek to maximize the economic benefit to a particular investment structure. For financial theory, they seek to maximize the return obtained with the immobilization of capital, ie, seek to create value for the owners of the company, thus resulting key concepts of capital stock, cash flow, time value of money, rate return and risk associated. In the Latin origin of the word, *lucro* means profit or gain profit to be drawn from one thing. In economic theory identifies with the benefit you get from an investment. Cooperative organizations are not for profit nor constitute investment opportunities for reproduction and capital accumulation. Therefore, do not seek to maximize the rate of return on a fixed capital stock. Its purpose is to provide services to its members and collectively build cooperative subject with equal participation, democratic control and joint liability. When it comes to creating value in a cooperative, we are not talking about cash flow or capital stock, but that partners can have more and better services, and the more and better services to offer a cooperative to their members, the greater its value as an organization. Value creation in cooperatives is, therefore, to increase the value of the organization to its members. This increase in value is given not only for the services they can offer, but by increasing business opportunities and social advancement of its members. Financial Governmentality strongly conditions this action. There are no creation of cooperative subjects, and no possibility of going beyond the imperative to be in the agroindustrial tobacco complex at least without losing competitive position. The strong competitiveness and equitable distribution of the agroindustrial tobacco complex leaves little room to create cooperative value.

The stock of capital invested in cooperative organizations constitutes an installed capacity of services to its members. It is a productive capacity and not a capital tied for profit. The concept of cash flows generated by an investment in a capitalist enterprise is replaced by the concept of flow of services in a cooperative. However, the condition imposed by financial governmentality and the rules of game for tobacco agroindustrial complex in Argentina does not leave room for the associated service. The cooperative relationship between tobacco and its partners is not associative or solidarity, but trade agreements fulfillment, production schedules, promises to pay, delivery of inputs, pre-financing, among others. The time value of money in a cooperative is replaced by the concept of use value of the money, more linked to the need of funds to the rate of return required by an investor capitalist in the sense of opportunity cost of capital. Money is the rarest asset of tobacco

cooperatives in Argentina. The value of money in these cooperatives is given by the need for immediate use of it, to make payments that can not wait or to meet urgent business commitments. It is a good absolutely necessary as a means of payment, not for speculative or rate of return expectation. However, the effects of financial governmentality, for those who finance tobacco cooperatives or held contracts as buyers forwarding funds, these operations are investments that generate cash flows and time value of money. The opportunity cost of these funds, the cost of capital and the risk associated with these operations are transferred to cooperatives and are reflected in high levels of financial expenses. International buyers financed cooperatives and these in turn to their partners, but the cost of financing and the associated risks are borne mainly by cooperatives. In conclusion, financial governmentality transforms money into a commodity with a share huge bargaining power to its possessor. In the case of tobacco cooperatives in Argentina, this power has international buyers, which set the conditions for use of the money. These conditions are very favorable to buyers and very unfavorable to cooperatives, but these allowed them to stay in business, make investments, show results to society and make a will of its members, among other consequences.

The financial governmentality and the rate of surplus of cooperatives

Financial governmentality degenerates surplus rate cooperatives and hinders the consideration of factors such as the need for growth, capitalization, provisioning and service partners. The exceeding earning in the cooperative is defined as the income remaining after covering it all costs and expenses necessary to obtain them. Is justified in four needs: growth, capital growth, reserve constitution and services to partners. As a result of financial governmentality, in the case of tobacco cooperatives in Argentina, the relationship between surplus and no growth occurred in the period 1969-2009, at least not directly, since growth was rather an imperative of competitiveness in a market dominated by large corporations and unregulated by the state. The only way to survive was the growth, without caring how it was financed. For this reason, tobacco cooperatives were not financed with surpluses, but with debts. There was never any need to discuss how much surplus was necessary to generate, as this discussion was becoming irrelevant in the context of ongoing concern to sell and generate income for producers. The way to generate income for producers was always guarantee the purchase of snuff paying good money, for which the market had to ensure buyer and obtain financing. The important thing was always going to increase the

collection, production, price and market share. Vertical integration strategy adopted by cooperatives led to an increasing need for investment. The investment by cooperatives grew at a faster rate than the collection of snuff volume and sales volume. In evaluating investment decisions not influence the volume and cost of capital assets, net present value added, the risk involved, the expectations generated by the context or indirect benefits and costs, but mainly the imperative to grow.

Most of the business of tobacco cooperatives in Argentina depends on the use of working and fixed capital. In turn, most of the working capital is permanent and nonfluctuating, for the duration of the operating cycle and operational characteristics of the sector. This requires a funding model based primarily on sources of financing medium and long term, own and / or third parties, public and / or private. In the absence of equity cooperatives and not having sufficient institutional mechanisms for financing medium and long term, turning in a high proportion of short-term financing, primarily from vertical integration strategy with clients. In the case of transnational corporations operating in the tobacco agro-industrial complex in Argentina, have global financial capital, to whom turn to finance the tobacco business, which require the characteristics identified sources of medium and long term. Tobacco cooperatives, however, do not have this type of capital or institutional funds to finance their operating cycles at medium and long term and can not generate surpluses to finance with own equity. Fixed investment cooperatives needs are financed largely with public sector financial and nonfinancial resources, while working capital needs are financed largely with funds generated with vertical integration strategy adopted by cooperatives. In conclusion, financial governmentality blocked in Argentine tobacco cooperatives the discussion and decision making regarding the surplus rate and also the role of surplus as genuine source of financing growth, capitalization, provisioning and increased quality and quantity of services to members. Growth was only raised as an imperative of competitiveness and participation in the country's tobacco business to increase sales and revenue. The conditions of this growth were not decided by the cooperatives, but resulted from the rules of tobacco agro-industrial complex, which also were not decided by cooperatives or producers, but national governments and transnational tobacco corporations operating in the country.

Financial Governmentality and the risk of cooperatives

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This paper also takes the view that financial governmentality increases the risk of cooperatives and neutralizes the influence of factors such as cooperative integration, mutual trust among members and solidarity derived from the collective project and construction of subjects cooperative. While risk is an inherent component in any economic activity, whether or not for profit, cooperative organizations do not have the sense of partnership at a given rate of return required to compensate them, but the extent of variation contextual conditions where cooperative action falls. Cooperatives should have less risk than companies, by the combination of four factors that are usually present in the institutional life of cooperatives: a) the integration processes by which they form cooperative federations and confederations, b) social capital resulting from the construction of mutual trust through social cohesion linking actors, c) solidarity that involves the construction of a composite whole strongly internally cohesive elements, and d) the existence of the cooperative subject, collective and undivided, which reflects and encapsulates the action of human group that integrates a cooperative. However, the phenomenon of risk involves cooperatives, beyond these factors, which are certainly important. Indeed, the risk includes five distinct dimensions: a) the overall risk stemming from financial governmentality, globalization, the functioning of international financial markets and the government of transnational corporations, b) the country risk that derives from the political, economic and social within each country, c) sector risks derived from the internal conditions of each sector of economic activity of a country, d) organizational risk derived from the investment structure and financing structure of each organization and e) the decisional risk that comes from the specific conditions of each decision. These dimensions of risk have a centripetal effect when it comes to local and national organizations and a centrifugal effect when it comes to transnational organizations. In the first case the risk has a surround effect to global decision-making and is intensifying and increasingly condensing. In the second case, has a deportation or transfer of risk, from the decisional to global. Financial Governmentality facilitates this process of expansion and movement of risk between countries, globalization, international financial markets and large corporations. Thus, the effects of financial crises occurring in certain countries and markets quickly move to other countries and markets creating what are commonly called domino effect. This transfer risk also occurred in the case of tobacco cooperatives in Argentina. The risk is increased considerably by the strategy of vertical integration between international buyers, cooperatives and tobacco producers. Tobacco cooperatives, especially those of Jujuy and

Salta, were located in an intermediate position between the play of interests of international buyers and local tobacco producers. On one hand, international buyers demanded regular delivery of products under certain agreed conditions, including the pre financing, moving to cooperatives economic and financial risks of the business. On the other hand, local producer's cooperatives also required to receipt or collection of snuff under certain conditions, regardless of changes in context. This happened also in the case of cooperative in Misiones, although in this case the subordination was from the producers, for the nature of the production of snuff in Misiones, which are very different to Salta and Jujuy. Investment structures and funding resulting from this strategy had little flexibility and permeability changes in context. This led cooperatives to accumulate stocks, extend operating cycle length, oversize fixed investments, not sufficiently weigh the economic risks and financial decisions, borrow above their actual or potential financial convenience, absorb high financial costs and, generally, assume difficult commitments to fulfill, precisely because of the variability and speed of those changes.

In conclusion, for the effect of financial governmentality, tobacco cooperatives in Argentina adopted the mode of operation of transnational corporations and, behind the garb of social organizations, met the founding mandate of sale of production, establishing mechanisms of vertical integration with its international customers, through contracts strictly stipulated by the terms of delivery of products in terms of quantity, time, price, variety and quality. Transnational corporations moved the economic and financial risk to cooperatives and producers, mainly the risk, but also the risk of inflation and the risk of changes in interest rates. The producers also took other risks: climate, not delivery or disqualification of snuff, price change, production costs, payment of supplies and lack of excess, among others.

CONCLUSION

Financial Governmentality is a useful category for understanding the workings of capitalism in its current financial. It is a logic strategic of power designed before the end of the Second World War, in order to ensure continuity of a global political order built to benefit winners countries in the race war, primarily the United States and its allies. In this paper we presented the arguments supporting the thesis that financial governmentality works as an autopoietic system luhmaniano composed of three basic components: the globalization,

financial markets and corporate governance. As empirical reference we expose the case of tobacco cooperatives in Argentina, in order to show the implications of financial governmentality in financial decisions that were taking cooperatives between 1969 and 2009.

BIBLIOGRAPHY

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