

Lessons of Mondragón

by Ruth Caplan

The Mondragón family of cooperative enterprises started during Spain's fascist regime. From this unlikely beginning, it has grown to 256 cooperative companies employing 85,066 workers at the end of 2009. These co-ops survived and grew even as Spain was drawn into the European Union, faced severe recessions, and the world economy globalized. We have much to learn from this as we examine the challenges of building a Solidarity Economy network here in the US.

Mondragón was inspired by a local priest who saw young boys with little hope for the future. First he brought the community together to establish a technical school. Then he addressed the lack of jobs by helping graduates form a cooperative to produce electrical and mechanical products for home use. This focus on job creation became a driving force in the growth of the cooperatives and has been an important factor in their entry into the global marketplace.

The founders did not want to be a capitalist enterprise that raised capital through stockholders. Instead, all capital was raised by reinvesting a percentage of workers' pay back into the enterprises. The growing co-ops upheld fundamental cooperative values including worker involvement in decision-making.

A cooperative bank financed new cooperatives and helped cooperatives in financial difficulty. It became the largest savings bank in the Basque region, loaning over \$100 million to other cooperatives in its first 13 years.

The core cooperatives produced household goods and machine parts. Problems arose as they saturated the local market and then needed to compete in the global market opened up by the EU and free trade agreements. These realities, combined with their commitment to job creation and their large capital investments, drew the growing co-ops more and more into the global marketplace.

By the early 1970s, Mondragón included an applied technology lab for research and development; and managers began visiting other countries learning how to make production more efficient. This set up tensions between workers as full participants in the cooperatives and their contribution to labor productivity. This tension grew with the challenges of competing in the global marketplace.

A co-founder of the co-ops said in *Trabajo y Union* in 1995 that they needed to learn from the successes of multinational corporations to adjust their own practices to meet new needs. In his view, they could not afford to remain a "medium-sized" organization in a world of giants. His view

also included treating everyone as customers, including the workers themselves. Mondragón's focus on the worker, apart from the community, made it easier to transition to a capitalist-style focus on the individual and on ever-increasing consumption.

However, Felix Ormaechea, director of the Mondragón federation of education cooperatives, challenged this view saying, "I believe that the future of the cooperatives will never be a happy one if we renounce values like participation, solidarity, and consensus decision making... Capitalism as a system prioritizes certain values. If because of money and the market, I have to stop being a creator—stop being truly free—then I and the cooperatives are changing for the worse....it is not the economic outcome alone that should measure the success of the whole process but also the fact that I have participated in it, shared in its execution, and felt like a person through these activities."

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Questions about Mondragón

Mondragón's achievements are inspiring, yet their focus on the worker, apart from the community, made it easier to transition to a capitalist-style focus on the individual and on ever-increasing consumption.

What if Mondragón hadn't changed its structure from regional groupings often in distinct valleys to clusters based on business sectors? Could Basque traditional ties to the land and one's community of birth have led Mondragón away from the global economy toward sustainable local communities?

Can such a movement be grounded in a steady-state economy rather than a growth economy, where the community as workers and consumers can develop an ethic of sufficiency, allowing less expansion of production and more leisure time to engage in family and community activities? Could it survive without the economies of scale of mass production?

Mondragón includes a worker/consumer food cooperative, now the largest supermarket chain in Spain. What if this cooperative had focused on local production/consumption and on building community? Slow money—slow food.

Would workers be willing to forego some salary to share jobs with others so that everyone could work and still fully participate in their community? Would you be willing?