

# MONDRAGON: MODEL OR MYTH?

## FROM THE EDITORS

HAS THE REAL MAJORITY BEGUN TO STAND UP? When something comes at you from many varied sources and directions, it may well get difficult to miss. Consider then the following:

- A National Independent Political Summit, bringing together diverse activists from several third or new party campaigns, is held in Pittsburgh, August, 1995. (See p. 13, this issue.)

- A Global Town Meeting to create and work for an "Economic Bill of Rights" will take place mid-April, 1996, in Concord, MA.

The "Share the Wealth Campaign" begins national organizing to raise the minimum wage and to eliminate "\$800 Billion in unproductive subsidies to America's wealthiest corporations and individuals". (For their *Wealth Fare Organizing Kit*, send \$6 to: 37 Temple Place, 3rd Floor, Boston, MA 02111; 617-423-2148.; see also, March 12 Calendar item, p. 14.)

- Ralph Nader allows the entry of his name, unopposed, into the Green Party Presidential Primary in California. The campaign - billed as one to "win back our democracy" - will not be run by Nader or a hand-picked crew of consultants, but by ordinary people setting their own agenda. Contact: *People's Campaign*, PO Box 3727, Oakland, CA 94609; 510-44-GREEN.

- The New Party, with its community-based local agenda, keeps on the winning track, having now won close to 100 local campaigns since it began in 1992. It

recruited 6,000 new members over this past year (see issue 18, p. 8).

An article appears in *The Nation* (8/14/95) calling for a national and international populist alliance. It receives some 2,000 responses, by far the most in the magazine's history. A Founding Convention is being planned to create this anticorporate and strongly democratic Alliance. Contact: Dr. Jonathan Fine, 617-868-8571; {30x 1011, N. Cambridge P.P., Cambridge, MA 02140.

- Labor Party Advocates will hold a Founding Convention in Cleveland, June 6-9, to which local chapters all around the country will be sending elected delegates. (See issue 18, p. 8.)

- An "upsurge in student activism" is documented - and assisted - by the recently formed Center for Campus Organizing, which has distributed over 12,000 copies of its *Campus Organizing Guide for Peace and Justice Groups*. They can be contacted at: PO Box 748, Cambridge, MA 02142; 617-354-9363.

**MORE TO COME IN ISSUE #21** Do these separate phenomena represent a tidal resurgence of organized resistance to wealth-dominated and divisive politics, to the visionless and largely discredited two party system? No doubt time will tell, especially when it comes to banding these hopeful

Y

beginnings into something cohesive and unified. In any case, *GEO's* next issue (#21, tentative title: "Make the 21st Century Ours?") will cover these and other similar initiatives. We have already begun working with some of them, promoting our -and your agenda of ongoing grassroots economic alternatives as constructive and allied energies that anticorporate, populist, and new party campaigns need to be built upon and to enhance. (Bill Johnson's report, p. 13, reveals how this connection has already been made in one such case.)

Perhaps you can help us keep a watchful eye on these these, and/or other, resurgent, more-than-local, initiatives? And write about them for issue #21? If so, contact us by phone, fax, mail - our deadline is March 17.

## ..MONDRAGON: A CLOSER & MORE CRITICAL LOOK

"A lot of the cooperative spirit is lost when co-ops become large corporations." Rossitsa Chobanova (Bulgarian IIS member, after a visit to Mondragon) (continued, p. 2)

### IN THIS ISSUE

Editorial and Theme Intro.....	1
Mondragon Critiqued.....	2
GEO Exchange .....	10
Calendar .....	14
Co-op Bulletin Board.....	15



IIS members look critically at Mondragon's industrial co-ops, p. 2-9 (M. Howard photo)

The only features that might differentiate the production process or product from a capitalist factory, perhaps, were an emphasis on lighting, noise reduction, safety (.4% of time lost in accidents, very low for Europe or the Basque Country), and an ecological market niche (no CFCs in use). The crates for shipment were labeled in six languages; some were destined for Morocco, where MCC has a plant.

#### Deviations

MCC has begun building plants in foreign countries, and these plants are not cooperatives. The only explanation offered for this was that it was difficult to export the co-op form of organization. In addition, women remain a minority, are not well-represented in top management, and tend to work in traditionally lower paid areas (e.g., sewing), but Goita claimed

that the co-ops were ahead of their capitalist counterparts in addressing the inequality. Despite these shortcomings, we shouldn't forget that those workers who are members continue to utilize the same structures of ownership, representation and participation that first distinguished the Mondragon cooperatives.

But for how long? How long will genuinely cooperative structures survive the pressures of globalization? And are decisions to hire temporary workers and export production to lower-wage, non-cooperative foreign plants really dictated by survival, or are they symptomatic of an erosion of the cooperative ideal among the leaders and members of the MCC? Are cooperative islands in a capitalist sea destined to be reassimilated into the mainstream culture? Or are there measures that could resist this process?

## MONDRAGON - THE SELF-DECEPTION OF THE INTERNATIONAL COOPERATIVE MOVEMENT

by Holm-Detlev Kohler

The following arguments are not so much a criticism of the Mondragon Cooperative Corporation (MCC), but a self-criticism of our cooperative movement. There are two completely different Mondragons:

. *the real MCC*: a group of enterprises with specific experiences and an extremely interesting history and development - all of which should be studied very seriously - and

. *the Mondragon-model*, an ideal construction of the international cooperative and selfmanagement community, which has hardly any connection to reality.

Self-management suffers from the lack of practical examples throughout the developed world, as well as from the hostility of capitalist market ideology. Looking for a successful example, the cooperative movement found the Mondragon co-ops, a growing complex of industrial cooperatives that, surviving the capitalist crisis, has remained in competitive markets. So the movement found its model, the community of their bible, and their messiah, Jose Maria Arizmendiarieta. A myth was born.

Over the last 20 years, a great many apologies have been written: Thomas/Logan, White and White, and the papers of Robert

Oakeshott are among the best known of these. Aside from some critical details, all of them set out to construct a beautiful success story about an "oasis of industrial democracy" and the "largest movement of producer cooperatives in the world." Whenever a market liberal criticized self-management, we had our Mondragon. Even the model's Basque nationalism as one supporting factor was excused, despite the dangerous elements it shares with all nationalistic movements.

I never shared this idealistic construction. Even before starting to study MCC in 1986, I supposed that a democratic island in the sea of capitalism has very limited possibilities. My interest in self-management arose from a critical analysis of capitalism, but I never forgot the strength and determining force of the global market. The aim of self-management, in the strongest sense of "auto-determination", can be achieved only through a radical critical movement at all levels, including theory and practice, and not by creating successful models in an idealistic sense. While there are, on my view, some possibilities for creating such a radical movement, Mondragon - the real Mondragon - has not attempted to use or to develop them; rather, it has systematically diminished them. What makes me think like this?



1. MCC has never supported the international cooperative movement, but is expanding into international markets with joint ventures with and investments in other capitalistic private corporations (e.g., transnationals such as Thomson or Alcatel), without any social criteria. MCC has opened plants in Morocco, Mexico, and China, not as cooperatives, but only to exploit the cheap labor in these countries, and without providing democratic rights to the employees.

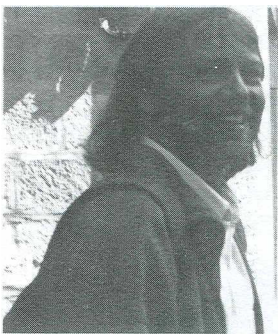
2. MCC has never introduced cooperative issues or topics into its education system. Its "industrial democracy" is as formal and non-participatory as any of our political democracies. Its leading managers established a multi-level delegation system which prevents real influence by the rank and file, even in their own workplaces. Mondragon's workplace culture is the same as that in any other private firm, with some social advantages like a no-layoff policy, and some disadvantages, such as the absence of unions.

3. MCC has never used ecological, social, or feminist criteria in its development, but has subordinated everything to economic productivity and profit margins. They have showed no interest in working for a better society, but instead have cooperated closely with conservative nationalist government (the Basque Nationalist Party). While it has a big subsidized research center, this has done nothing to foster human development, but concentrated all its

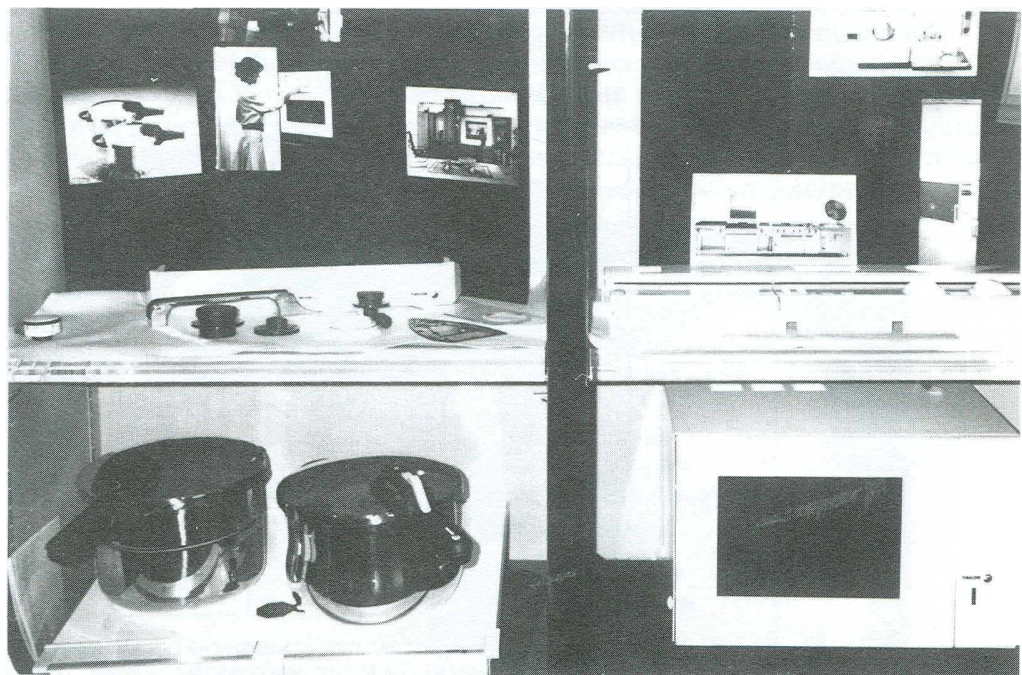
resources on individual consumer goods such as car components and appliances, and a Tayloristic productive technology.

4. MCC sees the cooperative framework not as a priority, but as an obstacle to market success and in particular to the building of capital stock, an obstacle which must be set aside. All of the recent reforms of their legal framework point in this anti-cooperative direction, such as the increased permission to hire temporary wage earners and to sell stock to external shareholders.

I will stop here, though there are many other critical points to add. I've said enough to indicate that we need to take an attitude of critical analysis, rather than of naive apologetics or celebration. Self-criticism, after all, is one of the best left and self-management traditions, in opposition as well to the "one best world" idealistic apologists for capitalism. My criticisms of Mondragon, no doubt, need to be balanced by examining its positive experiences, from which we all have much to learn. But my point is different: the international cooperative community needs to overcome its lack of self-criticism. MCC's assimilation to capitalist practices is not all that recent, but was already evident in the 1980s, when all the biblical commentaries on the model community on the democratic island were being written. Why then did we not see this, or want to see this? Can we regain our lost capacity for self-criticism?



**HOLM DETLEV-KÖHLER, in**  
Hondarribia, Basque Country  
Sept., 1996 (M. Howard photo)



**A Few of the Many Products of MCC's Industrial Sector**

# THE MONDRAGON COOPERATIVES:

## CHANGES & QUESTIONS IN THE GLOBAL ECONOMY

by Fred Freundlich

Worker-ownership enthusiasts often consider Mondragon almost the "holy grail" of cooperative enterprise development. Few businesses, though, are immune to the global economy's demands, and the Mondragon co-ops certainly are not.

The Mondragon group has responded to these pressures in several ways, the most significant response being legal-structural unification. In the past, the individual cooperatives were fairly autonomous in business terms, although they were affiliated in a number of important ways. The new structure, by contrast, gathers all the enterprises and support organizations under one corporate roof, the Mondragon Cooperative Corporation (MCC). The cooperatives are distributed among the MCC's three main business divisions (Financial, Industrial and Retail/Distribution) and seven subdivisions. The MCC as a whole is now managed by a President and his or her General Council, comprised of the division and subdivision Vice Presidents and several others. MCC officials emphasize that the purpose of the reorganization is *not* centralized operational control, but rather closer 'Coordination of activities within business sectors, greater economies of scale, and strengthened strategic planning.

These new management bodies are accountable to two representative governance structures, the Cooperative Congress and its Standing Committee. The Cooperative Congress is made up of representatives elected from each cooperative in the Corporation and is the highest authority in the MCC. The Congress elects 17 people to the Standing Committee (essentially an internal board of directors) which appoints the President of the MCC (the CEO) and must ap-

prove the President's choices for General Council.

All but three or four of the group's co-ops voted to join the MCC. Still, the new structures have generated a substantial amount of controversy within the group over issues such as the centralization of authority, and the bureaucratic distancing of management from the membership.

In addition to the restructuring, over the last several years the MCC has begun to make use of several other potentially controversial strategies aimed at increasing competitiveness. It has acquired or carried out mergers or joint ventures with conventional firms and built several plants in low-wage, developing countries. The future membership status of employees in many of these enterprises has not been resolved. Many cooperatives in the MCC use temporary workers in periods of high demand and the proportion of temps is also a concern. Further, the MCC is now, indirectly, selling a form of non-voting stock on the public market, hence, at some level, mixing worker-members' voices with those of capital investors. Finally, the wage solidarity ratio may be significantly altered group-wide, and already has been in some part of the Corporation, from 4.5:1 to 6:1 or higher.

Change in the face of ever-increasing global competition is inevitable. Proponents of the new arrangements in the MCC argue that they are necessary to survive this competition. But the jury is still out on both economic and social questions in Mondragon. While the MCC remains an exemplar of democratic worker ownership, it remains to be seen whether the new policies can both bring greater business success and maintain the group's explicit commitment to the principles and practices of cooperative enterprise.



IIS members Bob Gold(USA), Mike Howard(USA), Rossitsa Chobanova(Bulgaria), Curtis Haynes, Jr.(USA), and Andrei Kolganov (Russia) (L-R), celebrate Self-Management on the final night of the Hondarribia Conference