

Mondragon Diaries: Day One

Why Humanity Comes First at Work: Learning About Bridges to 21st Century Socialism

By Carl Davidson

[Keep On Keepin' On](#)

"This is not paradise and we are not angels."

--Mikal Lezamiz, Director of Cooperative
Dissemination, MCC

After a short bus ride through the stone cobbled streets of Arrasate-Mondragon and up the winding roads of this humanly-scaled industrial town of Spain's Basque country in a sunny fall morning, taking in the birch and pine covered mountains, and the higher ones with magnificent stony peaks, I raised an eyebrow at the first part of Mikel's statement.

The area was breath-takingly beautiful, and if it wasn't paradise, it came close enough.

I'm with a group of 25 social activists on a study tour organized by the Praxis Peace Institute. Our focus is the Mondragon Cooperative Corporation, a 50-year-old network of nearly 120 factories and agencies, involving nearly 100,000 workers in one way or another, and centered in the Basque Country but now spanning the globe.

We're here to study the history of these unique worker-owned factories, how they work, why

they have been successful, and how they might be expanded in various ways as instruments of social change. Georgia Kelly, the Praxis Peace Institute's Executive Director, is our cheerful and helpful group leader, but Mikel is our MCC host in charge of teaching us what he knows.

The MCC reception center is part way up on a slope of a much larger mountain, but it offers a magnificent view of the town and the dozens of industrial and commercial cooperatives in and around it in the valley below. After watching a short film on the current scope of MCC, we move to a lecture room for Mikel's talk. The signs on the wall say 'Mondragon: Humanity at Work: Finance-Industry-Retail-Knowledge', in Basque, Spanish and English.

"Humanity at Work," Mikel starts off, reading the slogan. "This means we are the owners of our enterprises, and we are the participants in their management. Our humanity comes first. We want to have successful and profitable businesses and see them grow, but they are subordinate to us, not the other way around."

The other part of the slogan--finance, industry, retail, knowledge--refers to the scope of the cooperatives. Of the 120 workplaces, 87 are industrial factories, making everything from kitchen appliances and housewares, to auto parts, computers, and machine tools. One of the coops is a large bank, Caja Laboral. One is a Mondragon University, with some 3600 students; seven others are research and development centers. One is retail the huge network of hundreds of Eroski supermarkets and convenience stores, four are agricultural, and six are social service



agencies managing health care, pensions, and other insurance matters.

All are worker owned. All have the management selected by the workers and the coop governing boards. All have yearly assemblies where the workers set strategies, make or change policies, and elect their governing boards--one worker, one vote.

Mikel also introduces this by telling us a little about where we are. The Basques are among the oldest people in Europe, with a unique language, unrelated to any others. They have a strong sense of culture and solidarity, and an ongoing quest for autonomy, even independence, from Spain. The region is made up of four political divisions in Spain and two just across the Pyrenees in France, with three million Basque inhabitants three and another three million living abroad. They were a center of resistance to Franco's fascist regime, and have won a good deal of autonomy today in some of the districts.

After World War 2, the area was poor and devastated, and the Franco regime was in no mood to give it much help. But one who did rise to the challenge was Father Jose Maria Arizmendiarieta, a priest who had fought Franco, ended up in prison, but managed to get released instead of executed. Father Arizmendi, as he is popularly called, was assigned by the church to the valley in the Basque containing the small town of Arrasate-Mondragon. He set to work trying to solve the massive war-created problems at hand. He began building a small technical school, and then a credit union where the region's peasants and workers pooled meager funds. After a few years, with just five of the best students of the school, he started a small factory making one product: a small paraffin-burning stove so people could cook and heat water. It was a good stove, and sold well.

Most important, he gave the project a set of ten carefully thought-out principles to serve as guidelines for the current and any future endeavors:

1. Open Admission, meaning no worker is to discriminated against because of nationality, gender, political party or religion and such.
2. Democratic organization, meaning one worker, one vote.
3. Sovereignty of labor
4. Instrumental and subordinate nature of capital
5. Participatory Management
6. Wage Solidarity
7. Cooperation between Coops
8. Social Transformation
9. Universality
10. Education

How each of these are implemented, and with what success, will be spelled out in this series of diaries-- at least I'll give it a good shot. But following this introduction and a barrage of questions--Mikel answered a good many--he soon had us all get back on the bus. The best way to learn was to see for ourselves. So he took us off to FAGOR, the relatively large industrial coop that had grown for the first tiny shop that built that first small paraffin stove.



FAGOR today is several connected coops with about 6000 workers overall, both here in the Assante-Mondragon area and in China. All the employees in the Basque areas are worker-owners; those elsewhere are in varying stages of becoming so.

As we got off the bus, we are at a large modern structure that could easily enclose several football fields. We were given headsets so we could hear our young woman guide over the din of the assembly lines. Once inside, we saw a very modern and computer-assisted assembly line that was putting together household washing machines, from beginning to end. It wasn't completely automated; workers were required at many points, especially at those checking quality.

This quality was a hallmark of MCC products generally. They compete by selling very high quality goods at reasonable prices and good service. They have very few supervisors. I didn't see a single one covering the whole process of making the washing machines, and later some convection ovens, from one end of the line to the other. Self-supervision was thus a competitive advantage. Not having a lot of supervisors to pay meant lower prices.

Before the crisis hit two years ago, 15 percent of FAGOR's workers were temporary 'trial period' new hires, meaning they couldn't become worker-owners for six months to a year. All these were laid off due to the fall in demand, but all the regular worker-owners remained on the job or were shifted to other related coops. At the moment, the workers were on two shifts. 'One group starts at 6am and ends at 2pm,' our guide explained. 'The other goes from 2pm until 10pm. There are breaks every two hours, after which each worker can take a different position on their section of the line, The workers decide this rotation among themselves. It helps with safety and spreads skill sets around.'

We noticed that some of the components were in boxes shipped from other countries, and asked Mikel about it. 'Our policy for purchasing is set by three things—quality, price and service. If an outside firm does better, we use them.' He picked up a wiring harness from a box. 'Here is a good example. We used to have this made by one of our student-run coops. They had two products, this wiring set and another computer component. The quality and service was good, but the price was poor. This piece, made in Turkey was just as good, the Turkish firm had good service, but at a much lower price. Our students only worked a four hour day, and paid themselves 550 Euros a month, but the Turkish workers put in 60 hours at 200 Euros. In that situation, we encouraged the students to shift to improving the product where they were better, and to design new products.'

Some in our group groaned at the concept, but others felt that, given a market economy, it was the best way to handle the problem—although raising the conditions of the Turkish workers would be a good idea, even if beyond the reach of MCC at the moment.



One thing that stood out of the Fagor line was a concern for both safety and quality. 100 percent of the machines were tested on the line for safe operation, and another 3% tested again at random just before final packaging. There were numerous station stops where workers kept daily records of any accidents—a green smiley face sticker was a good day, a red frowny face was a problem day. I only saw one red face on a chart on the entire line.

FAGOR is producing 850,000 units a year, shipped mainly throughout Europe. Their pressure cookers are very popular in U.S. department stores.

After a delicious and leisurely lunch, Mikel gave us another talk, stressing two topics—the spread of MCC

to other countries, and its ongoing and often difficult efforts to transform their factories in areas outside of the Basque country into full worker-owned cooperatives.

Of the 100,000 people who work for MCC, of the 39,000 in the Basque Country, some 99 percent are worker-owners. Of the 40,000-to-50,000 recently brought into MCC in the rest of Spain, Portugal and parts of France, many are in various stages of becoming worker-owners, although some are discouraged by the low or negative earnings in the last two crisis years. The remaining 17 percent in countries like China and Brazil still remain wage labor in firms owned by MCC. MCC, however, is still trying to find ways to deal with local laws and customs in these countries to make a full transformation.

This discussion ran into overtime, so the last part of day one, a visit to an Eroski supermarket, was limited to 30 minutes. This one, a full-sized supermarket, was an excellent facility, owned both by all the workers and many consumers as well. Think of it as a high quality worker-owned Walmart combined with a Whole Foods with much lower prices, and you'll get a reasonably good idea on what one is like. But all I can vouch for at this point is that the fair trade 70 percent chocolate bars come very close to being a small piece of paradise.

Mondragon Diaries: Day Two

It Starts with a School...

Knowledge and the Path to Workers Power

By Carl Davidson
[Keep On Keepin' On](#)

This bright and sunny morning in the Basque Country mountain air again begins with our bus slowly winding up the mountain slopes. But this time it's a short ride. We stop at ALECOP, a unique worker-student cooperative that is at once part of Mondragon's production units and its educational system. Think of it as a small worker-owned community college, but with technology shops that actually produce items for sale in industrial markets, and you won't be far off.

Once we get settled in a classroom, our MCC mentor, Mikel Lezamiz, introduces us to a young 30-something worker-technician who is going to explain ALECOP to us, and a good deal more. "First of all, we are a mixed cooperative," he states. "This means we are made up of both worker-owners and students. There are 59 worker members and about 300 student members. Some of our students also work in other coops part-time, but our students are mainly working as part of their studies, and to earn a little money to support themselves as students."

He goes into some history, reminding us that MCC started back in the 1940s, with the polytechnical school started by Father Arizmendi, the innovative priest who envisioned MCC, as his very first effort to help the war-torn Basque workers find a path out of the devastation of World War 2. The first school's students helped form the first factory, but the school also continued, and over the decades, it evolved into what is now ALECOP, several more coop high schools, and what is now Mondragon University.

"To democratize the power, we have to share the knowledge," interjected Mikel, summarizing Arizmendi's theories. "Thus continual study throughout life must not only be for the rich, but also for the workers."



What kind of jobs do the ALECOOP students have? Our young guide shows us a list: R & D assistant, storekeeper, publisher, process technician, electronic assembler and several others

What kind of products do they make? "Most important, we design educational tools, to help in teaching electricity, electronics, automation, telecommunications and other subjects needed in high schools and in factory training. But we are also a nonprofit. We make money, but our hope is mainly to cover our expenses. He goes on to describe a list of 'competencies' that they hope to instill in the students, so they can go to work in FAGOR or other MCC factories with a good degree of skill.

It all becomes much clearer once he takes the 25 of us out into the shop area. As someone who taught computer repair to inner city youth and ex-offenders by recycling old computers, I step away from the group and examine some of the teaching stations. They

are large panels with, for example, critical automotive parts on one side, connected with various testers and gauges. I examine the back side and find the motherboards and circuitry connecting them all. A student who wanted to become an auto mechanic, for example, could test and work through the key components of dozens of vehicles on the front side, while the programming embedded in the back side would give him or her the proper positive or negative training responses. Very cool, I thought. Even cooler was the fact that the students not only used these machines for their own learning, they also made the circuit boards and wrote the software to make these instructional learning tools in quantity, ready to be sold and used anywhere.

After ALECOOP, our bus makes a quick stop at Mondragon University's top-line coffee bar. We're in a hurry, so Mikel gets busy: How many with milk? How many black espresso? He turns in the bulk order, and with our caffeine fixes, we're back on the road in 20 minutes.

The late morning session is at Mondragon Assembly, a mind blowing and thought bending state-of-the art high-tech and high-design worker cooperative competing on a world scale. Its products are the software and hardware of room-sized automatic assembly machines making solar photovoltaics and many varieties of electronic components for robotics.

"It's rather easy to design a machine that can make a switch or solar cell every 1.8 seconds," explains a young coop member. "But it's very hard to make the same switch or cell in 1.2 seconds. Yet that is what our clients are demanding of us, and it changes every six months, with higher and faster standards. We either do very well, and make lots of money for the cooperative, or we fail and we lose a lot.

"But this is what we want to be doing," he adds. "We don't have too many workers in this coop in the 40 to 55 age range. We're all younger. Some say we try to make up in attitude and spirit what we lack in experience!" This brings a round of laughter, but we all know exactly what he means. He goes on to describe the global market for these advanced means of production, with China leading the way in many of them.

"We can't just produce for the Basque Country, or even Spain and Europe. We have clients everywhere, and we are setting up factories everywhere—Germany, Mexico and China, too." While owned by MCC, none of these abroad are yet full worker-owned coops. But neither are they sweatshops; they are very advanced production units with skilled workers. Still, it is a contradiction, and MCC's aim is to eventually convert them all to cooperatives. But they have to move in accordance with the host country's laws and customs on the matter. Or simply make the decision to abandon proposed startup projects in that region to other regular capitalist firms.

How are his clients spread around? "Right now, we have 85 here in Spain, 30 in Mexico, 25 in France, 6 in China and 20 in Germany. For this kind of equipment, you don't get a large number of orders. Maybe ten a year. But each one is worth millions, but only if we are successful! But keep in mind that for every two jobs we create globally on the outside, we also create one new job here inside MCC."

As we left, many in our group were debating the pros and cons of global economic justice. I shared their concerns, but I also saw something else. Here was the beginnings of some of the most advanced productive

forces in the world, the means of both economies of abundance and the means of clean and safe renewable energies and far lighter ecological footprints. In any dynamic socialism of the 21st century, these young people and their creative efforts would be invaluable. I would want to shape their boundaries, but I would not want to stifle them or just send them off to work for the neoliberal globalists. We needed them with us. As is the custom in this part of the world, our main meal was a long mid-day 'lunch', really a dinner. We were driven higher up into the mountains on a winding road to an immense building that looked like a blockhouse or small fortress of stone. When was it built?, someone asked. We checked the carvings, and translated. Around 1400 to 1500, before the time of Columbus. But now it was updated into long stone-walled dining rooms, with a conference center on the upper floors. Needless to say, lunch was exquisite and Basque cuisine deserves its reputation.

In our last session for the afternoon, Mikel gives us all a detailed technical talk about cooperative structures, how they can vary, and especially, how they are financed and governed.

“People are the core, not the capital. This is the main point,” he starts off. “If capital has the power, then labor is simply its tool. But if labor has the power, then capital is subordinate. It becomes our tool.”

This is part of Father Arizmendi's ten principles, which he presented yesterday. “Labor is sovereign' is one of them. “This means one worker, one vote—whether you have more money or less or anything else, it doesn't matter. You have an equal voice and the access to knowledge and transparent information.

“One journalist once said back in the 1970s that Father Arizmendi had created a progressive economic movement that was anchored in an educational institutions. When Arizmendi heard it, he said, 'No, its just the reverse. We are creating an educational movement for social change, but with anchors in economic institutions.”

It's the whole of humanity that matters most.

Mondragon Diaries: Day Three

Visions of the Future, Ties to the Past: Tools for Shaping the Organizations of the Next Generations

By Carl Davidson

[Keep On Keepin' On](#)

This morning our bus again takes us far up the winding mountain road to the 15th Century blockhouse fortress now transformed into a conference center. I've since found out it's called Otalora, after an old noble family who owned the whole area reaching back 600 years. In those days, it was an armed way station on a trade route between the center of Spain and the sea, and the Otalora family extracted heavy taxes on the traffic going both ways.

This led to wars among the noble families over these spoils, and at one point the tall armed tower on one end of the building was destroyed by a rival. In the years that followed, to bring a degree of stability, all the the armed towers are lopped off on other castles in the area. This imagery brought smiles to the faces of the women in our group, who caught the symbolic significance immediately, even if the men took a moment or two to catch up with the laughter.



In any case, Otalora is now owned by Caja Laboral, the worker-owned credit union of the Mondragon Cooperative Corporation, which operates on the scale of a major bank with outlets across the country, in addition to serving as a source of finance to all the MCC coops, who dominate its governing council. The other voice on the council is a bloc of representatives from the Caja Laboral staff workers themselves. A few farmers use the land for dairy cows and sheep, but otherwise, the whole area looks like a well-tended national park.

After the Otalora story, our more serious topic this morning is the wider range of the cooperative movement, both in the Basque Country and Spain. Mikel introduces Lorea Soldevilla, a young worker-owner from KONFEKOOP, the Basque Cooperative Confederation. MCC is part of this, but it turns out that there are many more cooperatives in the region that are not from MCC. From the group's acronym, I also learn that the Basque language does not use the letter 'C.'

There are currently 755 cooperatives in the Basque Country, she explains, and only 80 of them are the worker-owned MCC coops. There are a total of 537,000 members of all the coops, but only 54,919 are worker members, and 37,860 of these are the MCC worker-owners.

Where did these other nearly 500,000 come from? Lorea brings up a spreadsheet on a screen to show us that there are all kinds of cooperatives and members. Eroski, the supermarket chain, for instance, has consumer members as well as worker members, and there are other consumer coops. There are also producer coops, such as dairy farmers, where the farm owners are members, but not necessarily the farm workers. There are also marketing coops, transport coops of independent truckers, cooperative schools, food coops and housing coops.

At the center of Konfekoop's work as a confederation is the concept of 'inter-cooperation,' the idea that coops should help each other. 'Inter-Coop', as it's called, has several organized components. ELKAR-LAN helps people with the legal and organizational consulting needed to form new coops. Elkar-Ikertigia is a volunteer policy and research center. PromoKoop helps find new markets and helps coops enter new markets. Oinarri helps to link coops to the wider social economy.

But there is another vital function as well. MCC is nonpartisan; it's not tied to any political party, and the same is true of many of the others. Still, they need to influence and work with the Basque and Spanish governments, especially on matters of law and regulations that can help or hinder them. Konfekoop enables them to do this, both as a lobbying arm and by directly having its people serve on government bodies and study groups. It's a way of working with favorable politicians of all parties without directly being members of any of them. The Basque government, for its part, is largely favorable to MCC and the other coops, since they have helped to bring a higher-than-average degree of prosperity to the region.

We all gave Lorea a round of applause for expanding our horizons. It was now time for our caffeine break, and we all headed downstairs to a room in the old castle that was now a coffee bar. There were three workers getting us espressos and cafe con leches, so I asked, 'Are you guys worker-owners of this fancy Caja Cabral enterprise too?' I asked. "Of course," was the answer, as if it was the most natural thing in the world.

As we returned for the next round, I heard a few groans about the title: 'The Corporate Management Model.' Some gritted their teeth for a technical lecture; a few said, "can't they find a better word than 'corporate'?" "Give it a chance," I replied. "'Corporation' doesn't always translate with the same meaning we put on it."

Mikel introduced Jose Luis Lafuente, whose title, accordingly, was 'Director of Corporate Management Model.' Jose started off by explaining that their model was developed over decades, going back to Father Arizmendi's Ten Principles, but in a 1990s update, was also deeply rooted in the TQM outlook, or Total Quality Management. Again a few eyes were rolled, because a version of TQM was used against U.S. trade unions back in those days, and a few around the table remembered it.

But as Jose continued expanding of MCC's approach, which put the core values of worker ownership and democracy at the center of an ever-widening set of values and organizational principles, the mood in the room began to change. He then took each component, and in a wonderful set of inter-linked graphic images, he unfolded a number of powerful tools that could be adapted to any progressive organization to build its strength, grow its size and achieve its goals.

He posted 'people in cooperation' as the first starting circle, then went on to connect that concept to the necessity of participatory organization, wage solidarity, social transformation and many others. By the time he was done, everyone was wide-eyed. "So what do you think?" he asked. "I love it," I blurted out. "But I'm going to adapt it to building my socialist and other political organizations." He laughed, but in the front of my mind was the conclusion that I had a powerful, modernized framework to update and supplement Lenin's 'What Is To Be Done' and an number of other classics on organization.

It was time for lunch, and all the tables were buzzing with excitement over the presentation. Jose set across from me, but he immediately asked about other matters. "We made an agreement with the US Steelworkers about a year ago to form some worker coops in the U.S. How's it going?" "From what I know," I replied, "they want to proceed with caution, finding a few profitable firms to buy up and then transform into coops. Plus a lot of their members had bad experiences in the past with Employee Stock Ownership Plans or ESOPs, and they have an educational task show how the MCC model is not at all the same as ESOPs. He countered that it was often easier to form a worker coop as a new startup, but he understood my points. He went on to speak highly of GAMESA, the Spanish wind turbine outfit that had opened up three new plants in Pennsylvania in cooperation with the USW. GAMESA got along fairly well with MCC, even though it wasn't a coop, but simply a high-road green capitalist firm.



In the centre of the arrangement, and as the point of departure, there are the **Basic Corporate Principles**, which provide the **People in Cooperation** with procedural guidelines for implementing the Cooperative's values. These are the people who build a **Joint Project** and embrace **Participative Organisation** in order to



After lunch, we boarded our bus and headed back down the mountainside to the town of Assarte-Mondragon. We were next visiting IKERLAN, one of MCC's thirteen Research and Development cooperatives. It was the first and the largest, and had a number of research lines. It included 209 full-time research scientists as worker-owners, and another 54 trainees. "Effective Innovation at the service of our company clients" was how Maria, our presenter, summed up their mission. She went on to describe energy saving power stations, micro-needles for bio-tech medicine, new computer components for smart electrical grids, touch screen control panels for home automation, and

so on. "Less energy, with lighter materials at lower costs" is a common thread, she added.

Again I was impressed by seeing the advanced productive forces, created by high design, that would be critical to solving problems like the climate change crisis. One of our team, however, asked an interesting question: "Does serving your clients mean working on nuclear weapons or other military instruments?" No, she said firmly, we turn these down. "Is that written down somewhere?" She wasn't sure, but added that with their values, "We would simply not think of doing things like that."

The comment served as a transition to the last part of our day, a 40-minute bus ride even higher into the mountains. We were headed to a Franciscan monastery with a new secular institution, BAKETIK, the Basque Peace Center of Aranzazu, far above the small town of Onati. The ride itself was a joy, with forest broken up by high mountain meadows with dairy cattle and, once you got higher, the sheep the Basques are known for raising. The cathedral at the top was a powerful piece of modern architecture, one you had to walk down through cut stone to enter.

The peace center itself had taken on a tough task. There were hundreds of undocumented refugee children, mainly from bloody civil conflicts in Africa, who had wound up on the streets of Spain, homeless. Many were brought here, and paired with volunteer 'big brothers' and 'big sisters' to help them regain trust and their own physical and mental health. It took patience, but it served the children well.

On the way back we stopped for an hour in Onati, known for good chocolate stores. It was true, as I picked up a large bar of truffle-flavored 80% cacao dark for only 2 Euros. But as I strolled through the town square at evening, I noticed something of far greater value. The town's working-class families were sitting in the town square, drinking beer and coffee, engaged in conversation. Children had the run of the streets, playing games and riding bikes—and there wasn't a bevy of police cars to be seen. It was a place of community and solidarity, where people still enjoyed the simple company of one another and the smaller pleasures of life.

Mondragon Diaries: Day Four

**Worker Coops,
Worker Banks,
Worker Skills:
Mondragon's
'Second Degree'
Coops
Help Weather
Today's Crises**

By Carl Davidson

[Keep On Keepin' On](#)

Most new small
businesses fail. That's a



fact, whether they are in the Basque Country or in the U.S. Or anywhere else. Yet the Mondragon Coops, which all started as small worker-owned businesses, have hardly ever failed. Why? The key is in Father Jose Maria Arizmendi's original founding conception of cooperatives as the interlocking of school, factory and credit union.

This was the thought I was rolling over in my mind as our bus again climbed the slopes on the Arrasate-Mondragon valley, this morning with grey skies and a light drizzle. We were headed for an administrative office of Caja Laboral, the worker-owned banking network of the MCC Coops. The ride wasn't far, and we were soon whisked into a small auditorium. Our mentor, Mikel, introduced the staff member who would introduce us to the world of banking, and Mondragon's modification of one corner of that reality.

Some people might question why workers for social change would want to be involved with banks at all. But certain kinds of credit and finance are important components of any society—capitalist, socialist or somewhere in between. Father's Arizmendi's conclusion that two of the many reasons cooperative movements failed in the past was the lack of reliable credit and the lack of innovation and new ideas.

Hence the reason he started with a school, but was soon to add a small credit union formed from the small deposits of his parishioners and their neighbors. To start a factory, you had to borrow some money, and borrowing the money of people close to you at low cost was the best way to go.

By 1959, the small credit union had grown and transformed into Caja Laboral. Today it is one of the major banks in Spain, with assets of 21 billion euros and 1.5 billion in equity. It has 18.6 billion in customer deposits, offset by 16.4 billion in credit loans. It has 1.2 million clients, only 120 of which are the MCC coops. It has 2000 people working for it, who are worker-owners. Actually, the bank is owned 55% by the MCC coops and 45% by the staff workers. But the rule they have adopted is that the factory coops pick eight of the board members, while the staff workers elect four. Since Caja Laboral, is a coop of coops, it is what MCC calls a 'second degree' coop. Other second degree coops are their schools, medical clinics and insurance agencies.

"We are rated the best bank in Spain in customer satisfaction," says our presenter, Angel Maria Garcia Olabarriantzer. "One reason is that we are worker-owners ourselves, and not socially distant from them. We work closely with our clients. We are prudent and conservative.

Mikel gave a wry laugh from the back of the room, and interjected: "Except for the Lehman Brothers fiasco...." It turns out Caja Laboral had taken a hit of 160 million euros it had tied up in Lehman Brothers securities when the Wall Street investment bank collapsed at the beginning of the financial crisis two years back. Not only had MCC's bank had been hurt, every bank and government in Europe felt the pain, and some were still struggling.

"Yes," said our presenter. "But we followed our rule of transparency. You and everyone else knew it the same day, and we announced it to the press the next morning."

This opened up a discussion among all of us on the proper role of banking and credit unions, including cooperative ones. It's not a subject progressive activists are all that familiar with, but we had it anyway. First it was clear that Caja Laboral's big sin in the Lehman Brothers case was believing in the validity of the AAA ratings of its securities, set by U.S. Government agencies, which turned out to be a sham. Second, it was also clear from the numbers presented that Caja Laboral was really something on the order of a strong and relatively cash-rich savings and loan operation and consumer services bank. Its managers didn't get rich, but had incomes within the same narrow and modest salary spread as all MCC coop members. Its profits were plowed back in to building new coops. It was not in the same league as the giant Wall Street speculators in derivatives, with their billion dollar bonuses, who were trying to gain wealth not by creating new wealth, but by pure gambling with other people's money.

Most of us concluded that Caja Laboral was a sound and necessary part of MCC and its growth, but the arguments continued out the door and on the bus ride further up the mountainside to our next talk at the Otalora conference center.

Here we had a new topic, the training of governing boards of the coops. It did no good to elect workers to coop governing boards, and then just let them sink or swim. A skills transfer and training program was in order.

Our presenter was Juan Ignacio Aitpunea. He was a well-seasoned and tough-minded older Basque worker with strong cooperative values in his heart.

"We use a Basque word, ORDEZKARI, for our program," he started off. "It means 'representative,' because that's the task of the boards, to represent the workers. Our boards are elected to four-year terms, but we stagger them. Every two years, only 50% change, but with 120 coops, that means we have about 1000 new board members to train every two years.

“We do it in steps. In the first six months, we get the new people to do self-evaluations, to find out their competencies, or the lack of them, so we know what to stress over the next year or so.

What were the skills needed? “First,” Juan continued, “you have to know the basics, the laws on cooperatives and the functions of coop leaders. Second, you need common skills—teamwork, how to communicate, how to lead, how to make timely decisions. Third, you have to know how to design and work through a followup plan.” All this was crucial because the govern board not only shaped policy, it hired and fired managers. Worker-owner, by their nature, cannot be fired. Over 50 years, there was only one case, where a small group got caught embezzling.

Juan went into more detail on this, but our crew had other questions: how were people nominated, and what was involved in running?

First, if there are two vacancies, there must be at least three candidates, he explained. Any worker could volunteer to run, but he or she had to get signatures of 10% of the workforce. Next, the workplace's social council, which serves some of the functions of a trade union, could suggest a candidate. Finally the old board could name one new candidate itself. But an initial vote was taken so each of the final minimum of three candidates to get a 50% minimum, then the vote was held to determine the final two.

“We need this to make sure board members have a wide respect throughout the workplace,” Juan added.

“This is especially important in hard times, like now, when hard decisions often have to made.” This meant firing the temp workers or cutting salaries to deal with the downturns. “Leading is not just about friendship, or making friends. This is not mainly a place for that. But it is a great school where you can learn what it means to be responsible. You may also make a few new friends. In fact, in tough times, that's when you can make the best and truest friends.”

Juan also stressed the need for diversity and the need to bring forward younger leaders. “When you get old like me, you get too used to having your own way. A time comes when you need to let new people in, but still find other ways to make a contribution.”



Our last stop of the day was Mondragon University. It was formed as a second degree coop by joining the engineering school, the business studies program, and the humanities and pedagogy teaching coop. It currently has about 3600 full time students. Tuition is about five thousand euros a year, considered moderate for a European university. Most of the students are from middle-income families in the area or from the workers in the coops.

Fred Freundlich was our faculty presenter, an American who had been in the coop movement in the U.S. In the 1980s, but had lived in the Basque County for a good number of years. He gave frank and critical answers to our questions.

I raised my hand, and asked: “Suppose I’m a young worker in one of the local industrial coops, and I decide I want to become part of the management. How does MU help me? Do they?”

The short answer was 'Yes.' But Fred added that management usually required a college degree, and you didn't necessarily need to get it from MU. If you had a good resume and vita from elsewhere, you'd still be considered. On the other hand, if your coop saw that you were eager to gain new skills, they would give you a good deal of support, including financial, and going through MU for your degree would be a plus.” Others raised the general question of activism among youth. “Frankly, Basque youth aren't all that active inside the coops. They're into third world global justice issues, environmentalism in general, and Basque nationalism. About the coop managers, I'd say a strong minority, maybe 30 percent, have solid cooperative values at heart, another minority pays lip service to them, and the rest are somewhere in between. We clearly need a new surge of activism to spread cooperativism beyond the factories, but my guess is only about 30 percent of the workers today are activists on the matter. You really need to talk more with Mikel, who's really a leader on this topic”

Mikel went up front and drew us a wave-like graph, showing an initial surge in the early MCC decades, then a leveling off, then a dip at the beginning of the crisis, and now a small upward turn.

“This is the beginning of a rich discussion, how we need to redefine and reinvent ourselves for the 21st century? But the bus is waiting to take us to dinner in San Sebastian. We can return to it tomorrow.”

Mondragon Diaries: Day Five

Need, Trust, Realism and Well-Chosen Allies:

Mondragon and the Transition to a Third Wave Future

“The world has not been given to us simply to contemplate it, but to transform it. And this transformation is accomplished not only with our manual work, but first with ideas and action plans.”

--Father Jose Maria Arizmendiarieta, founder of the Mondragon Coops

By Carl Davidson

[Keep On, Keepin' On](#)

Today the Mondragon valley is misty and grey, with small clouds drifting close to the valley floor between the mountain peaks. It's somewhat otherworldly, I think to myself on the bus ride up the slopes, almost like a scene from “the Lord of the Rings.”

Today is also our last day, and we're full of mixed feelings. Melancholy that our week-long seminar is coming to a close and that the new friends we've made will scatter. But there's also excitement that we'll soon be back home and able to share it all with our communities.



Our first stop is another component allied with Mondragon University called SAIOLAN. It's an incubator project for helping to launch new coops and high-tech businesses.

We're greeted in a classroom by a young woman from Mexico, Isabel Uriberén Tesia, who is also our presenter. She wastes no time bringing up her powerpoint on the screen and getting into the topic.

“Our aim is generating employment, creating new jobs,” she says. “our purpose is to do this by developing new business projects and training new entrepreneurs.”

A few years back, as the economic crisis was developing, nearly 60 percent of the students graduating in the Basque Country were having a hard time finding employment. The government, the MCC coops and other businesses, as well as the students themselves, all turned to SAIOLAN to help launch new enterprises that could put young people to work.

“There are five levels in the training of entrepreneurs,” Isabel explained. “First is motivation. Second is finding opportunities. Third is defining a suitable project for the student, in tune with his or her interests and ideas. Once you get past these three, the next two, planning the startup and launching what you have developed, also involves finding resources, such as grants and loans, that can get the new businesses operating.”

What kind of businesses were being started? One involved processing plants for cleaning waste water in a new and better way, another was called 'micro-manufacturing,' producing very small components accurately, quite a few were new software products. One from FAGOR, the large home appliance worker-cooperative, involved finding new uses for stainless steel, including exterior products, like one-piece transit stop structures. Some of our group were concerned that many of the new startups

were simply new businesses rather than also coops. This was 80 percent, or 138 out of 172 new small enterprises over the last few years, with 2281 new employees. SAIOLAN didn't seem worried. “It's their choice,” was the explanation. “Some of them will later transform into coops, and in any case, it's good to create new employment for our entire Basque community, not just the minority in cooperatives.”

We got deeper into the subject in our next session. It was further up the mountainside at Otlalora, and we had as our resource person, Jesus Herrasti, one of the senior MCC leaders, the head of the “Innovation Group', who had been with Mondragon for 48 years.

After laying out some of the basic features of innovation—infrastructure, science, technology, strategic planning—Herrasti made it much more real by talking about a fundamental conflict facing all manufacturing businesses, not just MCC. “Take FAGOR, our home appliance manufacturing coop. It's a mature business. We can continue to compete by making some additional improvements in quality, or cutting our profit margins. But in the end, it's going to be very hard to compete with similar products produced in Asia. We should keep at it as long as we can operate in the black and our worker-owners can maintain their standards, but where, really, is our new growth potential?”

He named three broad areas—renewable energy, health and eldercare, and information technology. It got even more interesting to me as he became more specific about new product lines—fuel cells, wind turbines, photovoltaics, embedded software, wireless, ambient intelligence, and bioprocessing in supercomputers. He was presenting the shift from second wave manufacturing to the high-design and high-touch products of a third wave future in a knowledge economy, and he had 200 people working full time on coming up with new ideas and plans.

I asked a question. “Have you had any inquiries from those countries trying to define a new 21st century socialism, in whatever way, such



as Venezuela, Cuba, China, Vietnam or even South Africa, on how they might use Mondragon's ideas and services? Do you think you have something to offer here?"

"Yes and No," was the cautious answer. "We get queries from all of them. We've been to China and other places, and there is some genuine interest, to a point. But since spreading knowledge and worker's power at the workplace also often runs against the clinging to control by bureaucrats, socialist or otherwise, the interest often comes to a dead end. But it's not always the case, and we keep working on doing what we can."

He went on to discuss the problems of cultural differences. "We Basques are often risk-averse when it comes to business, unlike Americans. We often avoid risks when we shouldn't. On another hand, when we talk with Mexican workers about taking over and owning the firms we start there for themselves, and where they elected the leadership, they simply don't believe us. They want to know where 'the trick' is hidden, since businesses, in their culture, are always owned by bosses, never by workers. There is no trust, at least trust with us, that it can be otherwise."

So what are the basic things need to start worker-cooperatives in our countries, asked one of our group? "First the workers themselves must FEEL THE NEED. Without that, it's hard to get anywhere. Second there must be a culture of TRUST, since you are sharing money, sharing risks, and supporting new leaders. Third, is to BE REALISTIC. You need successes, especially in the beginning. Too many early mistakes, and you are finished. Finally, you need friends and collaborators--but pick them carefully!"

This had us inspired and buzzing all through lunch, another amazing sampling of Basque cuisine. I had steamed artichokes with a delicious sauce and braised pork, finished off with dark strong coffee and ice cream with slivers of dark chocolate.

The afternoon session featured a presentation of one of the students in MUNDUKIDE, a small overseas assistance program with the people of Mozambique, Brazil, Cuba and a few other countries. One discussion was largely about microloans, which weren't working very well, and another about road-building, which was rather successful.

Our final session was with Fred Freundlich, the American professor, who was a veteran of the movements against plant closings in the U.S. A few decades back, who now was a faculty member at Mondragon University. Since he understood both our realities and those at MCC, he could handle any outstanding questions.

There were a lot of them. The first was how much was MCC's success a result of factors unique to the Basque Country. "It's somewhat important, but not decisive," Fred answered. "One very important factor was it started at just the right time. If it had started 10 years earlier, conditions may have been too harsh. But the first coops were launched at a time when people really needed a lot of things, and finally had a little savings to spend. Many businesses grew in this period. If it started 10 years later, MCC may have had much stronger competition, and may not have gotten off the ground so well."

I asked what was the response of the socialist and communist groups in the Basque County and Spain to MCC? "Mixed and confused," was the answer. Some thought it utopian. Others dismissed it as a diversion, as making workers into capitalists. "But they still keep sending delegations for visits, and going away impressed," Fred noted. The Basque left was also fragmented over violence, when ETA, the Basque armed resistance group, assassinated a former leader of one of the MCC coops who was also a socialist official. After a thoughtful pause, Fred made a point that applied to the U.S. Left as well. "There's two trends in the left," he explained. "Those who think long and hard about business and what to do with it. And those who mainly like to discuss left ideas." The implication was that the two trends most often didn't overlap, even if it was wise to do so, both tactically and strategically.

Mikel brought the session to an end by asking us all for our new ideas and projects on how we might implement what we had learned. There were all sorts of plans in the works on the part of our group, from networking food coops, to producing new green products, to making a new film about Mondragon for a U.S. audience. We had clearly all had our imaginations fired up by the experience. Mikel gave us each a certificate for completing a 40-hour study seminar, which was a lovely touch. But the truth was that most of us would need no reminder hanging on our walls. What we had learned here had changed us, in some ways deeply, and we would be looking at people and projects in new ways for some time to come.

[Carl Davidson is a national co-chair of the Committees of Correspondence for Democracy and Socialism, a national board member of Solidarity Economy Network, and a local Beaver County, PA member of Steelworkers Associates. If you like this article, make use of the PayPal button on [Keep On Keepin' On](#). Davidson is also available to speak on the topic. Contact him at carld717@gmail.com For more info on these tours, go to <http://praxispeace.org>]

