**Mondragón: One Step Beyond Capitalism** **By Gus diZerega**

From September 8 to 14, I joined Praxis Peace Institute’s study-tour of the worker owned Mondragon Cooperatives in the Basque Country of northern Spain. The purpose was to expose Americans to the reality of what an economy of worker owned and operated businesses actually looks like. It was an eye opener and this is the first of several posts I will do on my experience.

Much of the Basque region is a land of heavily forested mountains laced with narrow valleys, and the [town of Mondragon](http://www.pictures.org.es/spain/city.php?Arrasate-Mondragon&id=3139) (Arrasate in Basque) is nestled within one of them. As the pictures demonstrate, the region is extraordinarily beautiful.  What the pictures do not show is that the valley in which Mondragon lies is [filled with factories](http://catholiclane.com/industry-a-distributist-solution-part-ii/mondragon-city/), apartments, and a string of small towns that runs on for miles.  I was amazed at the density of development along the valley floor.

As many know, Spain is in the midst of a major economic crisis, brought about by the same financial interests that have done so much damage to our own country. The country’s unemployment level is around 24-25%. One reason I wanted to go this year was to see how the Mondragon co-operatives were handling this crisis.

The Basque Country overall is in better shape.  The region exports to Europe as a whole rather then focusing mostly on the Spanish market, and so is suffering much less.  Their unemployment, I was told, was around 12%.  [And in the Mondragon co-operatives](http://www.bbc.co.uk/news/world-europe-19213425)?

0%.  That is *ZERO*. There are no unemployed cooperative members. This region is now the most prosperous in Spain, but before the cooperatives were created it was the poorest. It is hard to farm beautiful mountain scenery.

**The Achievement**

The transformation began in 1941 when Father Jose Arizmendiarrieta (usually called Father Arizmendi) was assigned to serve in the poverty stricken town of Mondragón. Franco was securely in power as a right wing dictator friendly with neighboring fascist regimes.  Two years later Fr. Arizmendi started a small technical school (there were only 7000 people in Mondragon at the time).  He used it to combine technical training with Catholic social teachings emphasizing the human side of production and our ethical immersion in society.  The school was the incubator for all that happened afterwards.

Some years later, with five graduates from this school, Fr. Arizmendi established a small cooperative to make kerosene stoves.The enterprise prospered and gradually new cooperatives were formed. Father Arizmendi also established [*Caja Laboral*,](http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=4839846) a credit union that served as the financial enabler for the expansion of Mondragon cooperatives as well as organizing its social welfare programs for members.  The credit union was also a cooperative and now has over 390 branches throughout Spain. It has grown to become one of the country’s largest and most viable banks.

With the crucial support of *Caja Laboral,* the Mondragon cooperatives have grown to include over 80,000 worker owners of over 250 cooperatives.  They include [*Eroski*,](http://www.mondragon-corporation.com/eng/companies/retail/Eroski.html) a very large country wide retail and grocery chain, and the technical school, which has grown into [Mondragon University.](http://www.mondragon.edu/en)

All this has occurred in worker owned enterprises where top pay for managers and other skilled workers is never more than 6 times that of the lowest paid worker. (At one time it was 8 times at the bank, but I understand that it is now in keeping with the cooperatives as a whole.)  Today Mondragon’s cooperatives are arranged in four areas: industry, finance, retail and knowledge. Each cooperative’s members own and direct the enterprise and choose and employ a managing director. Members have ultimate power over all basic decisions, including what to do with the profits.

The uniqueness of their economic organizations is reflected in their communities.  While in Mondragon and neighboring towns I saw no gated communities, no mansions, and no slums. I never saw beggars, even during this time of crisis, whereas I have often heard about the frequency of beggars in Madrid and they are not unknown here in West Sonoma County.  Instead, I saw some homes of usually modest size as well as many apartment blocks rarely more than five or six stories and factories and businesses seemingly on either end of the valley. The region seems solidly middle class.

**Beyond Capitalism**

Mondragon helps us distinguish capitalism from the market, which is an essential step to thinking clearly about the challenges and dangers facing our society here in America where the ruling elite has a powerful vested interest in making such a distinction invisible.

Capitalism is an economic system rooted in the market, but where capital rather than people are in charge. A person’s value to a capitalist business is entirely based on how they contribute to its maximizing its profit.  In Mondragon’s cooperatives it is the other way around.  Consider this capitalist example.

In Freeport, Illinois Mitt Romney’s vulture capitalist company, Bain, is currently [closing a company that is profitable,](http://www.guardian.co.uk/business/2012/aug/10/illinois-workers-bain-outsourcing) competitive globally, and provides a decent living to 170 employees. Bain figures it can make even more money by moving the company’s activities to China.  As a part of the process it is forcing its current employees to train their Chinese replacements, whom it flies in. As part of its operating strategy Bain was able to reduce severance pay for its American workers from 48 weeks to 26. The American workers will be laid off permanently by the end of the year. Merry Christmas, capitalist style.

At Mondragon the dynamic is completely different.  As the cooperative enters into hard economic times companies having trouble have adopted three strategies.  First, members work shorter hours, so that everyone keeps their job.  Second, those nearing retirement are encouraged to take early retirement.  The cooperative’s retirement and health packages are considerably better than those of Spain, and generous by any measure.  Third, if a company must eventually close or radically downsize, workers are given positions in other cooperatives that are doing well, for the region is so diversified that some are growing even as others are failing.  They are also given free training for new positions.

Times are hard in Mondragon today, but so far the cooperatives are proving more resilient and vastly more humane than capitalist companies that are quick to ruin lives and destroy towns in order to grab a few more bucks for their owners, who then prance around as “job creators.”

Let me be very clear here. Mondragon is a market economy.  It encourages entrepreneurial innovation, indeed the cooperatives reportedly have the largest R&D centers in Europe, and there are no laws against people going into business for themselves.  Some do.  Other cooperatives are free to join or leave the Mondragon group. To be a member certain principles must be followed, such as the requiring no more than a 6X spread in worker incomes whereas in equivalent capitalist businesses managers pay themselves in the neighborhood of 400 times.  So far as I can tell, there is nothing a ‘free market’ economist could object to and [if Milton Friedman is correct](http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html) and managers are trustees for investors’ money, here is serious evidence many are parasites and thieves.

Mondragon exists in a country with at least 24% unemployment and in a region with 12% unemployment, yet has an unemployment rate of 0%.  Bain is forcing workers in a profitable enterprise to train their Chinese replacements and then go on unemployment with reduced benefits. At a time when sociopathy seems the guiding principle of most of America’s business elite the Mondragon example deserves to become widely known throughout this country.

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<http://www.patheos.com//Pagan/Pagan-Spirituality-Gus-diZerega-10-05-2012.html>

<http://dizerega.com/2012/09/27/mondragon-one-giant-step-beyond-capitalism/>