

Ramon Flecha/Ignacio Santa Cruz

Cooperation for Economic Success: The Mondragon Case

Abstract: The Mondragon Corporation, a group of cooperatives, is a thriving example of how cooperatives can succeed. The authors describe six features of the corporation and five ‘successful cooperative actions’ that they consider to be crucial in explaining its accomplishments. Both the specific features and the successful actions are contrasted with those of standard capitalist companies, to show how this case is unique in the field of corporate organization and management. Through a combination of democratic principles, the values of solidarity, and strong competitiveness, Mondragon has simultaneously achieved both efficiency and equity and has become an alternative to the organizational and governance models of traditional capitalist firms.

1. Introduction

Mondragon Corporation (MC) is the most successful business group in the Basque Country, and the seventh largest in Spain; as a cooperative group it is unique in the world (Mondragon Corporation 2010). It is often said that a company cannot be both efficient and equitable at the same time. Efficiency is associated with traditional capitalist companies, which pursue it at the expense of equity; meanwhile equity is associated with cooperatives, and is perceived as a trade-off for expansion and efforts to become truly competitive. A choice is often made between small equitable cooperatives and efficient competitive companies, in a global economy and market logic in which no other option seems possible. Mondragon, however, proves that this dichotomy is incorrect, as it has created a cooperative structure which is highly competitive in the capitalist market, and at the same time is highly egalitarian and democratic in its approaches to management.

The MC headquarters, and many of its cooperatives, are located in Alto Deba County, which is one of the most privileged in Spain, with the most equal income distribution, and thus the fewest social inequalities. Alto Deba is one of the few regions in Spain that has created employment during the economic crises of the last few years. Between 2009 and 2010, for instance, registered unemployment dropped by 9,87% there while it rose by 13,5% in Bilbao. Thus, in the Basque Country in general, the unemployment rate is currently 8,8% compared to 20,8% in Spain overall (Departamento de Empleo y Asuntos Sociales 2010). Similar

trends were visible during other periods of crisis, when unemployment was almost nonexistent. Between 1976 and 1986 Mondragon was able to create 3,3% more jobs each year, while unemployment was increasing in the region as a whole (Altuna 2008, 320).

Frequently, cooperatives must limit their economic activity to small, marginal markets, and must either subsist on state subsidies or require that their workers make great sacrifices (self-exploitation) in order to survive. The choice to be a cooperative is often based on ideology rather than efficiency. The cooperatives within MC, however, are competitive in different sectors of the economy: industry, distribution, finance, and knowledge. This remarkable success requires an in-depth analysis, particularly in the context of the current economic crisis.

The Mondragon project began by emphasizing employment solidarity and education; it placed labor first rather than capital. In 1943 the young priest Jose María Arizmendiarieta set up a vocational training school in the village of Mondragon to provide employment opportunities during the period of massive unemployment and social crisis that followed the Spanish Civil War. In 1956, five young people from the school started Ulgor (now Fagor Appliances), the first production initiative of what today is MC. José Maria and these five students initiated a remarkable process of economic and social transformation. Arizmendiarieta called for human action to change the course of history: “Nothing differentiates people as much as their respective attitudes to the circumstances in which they live. Those who opt to make history and change the course of events themselves have an advantage over those who decide to wait passively for the results of the change.”¹ Like intellectuals including Kant, Luxemburg, Marx, and Freire, he understood deeply that reality develops through dialogue with social actors from very different economic and socio-cultural backgrounds; Arizmendiarieta said that knowledge “must be elaborated with [the worker] and not for him”. The phrase ‘for him’ refers to the top-down philosophy of social relations that was opposed to the open intellectual climate of Mondragon at that time. Mondragon continues to be a practical expression of such an idea and the current leadership is guided by Arizmendiarieta’s vision and values.

Arizmendiarieta played a key role in the origin, growth, and consolidation of the Mondragon companies, both intellectually and practically. His ideas reflect multiple influences, including the Christian social doctrine of figures like Jacques Maritain and Mounier; traditional cooperative ideas; socialism, especially ideas taken from British labor and developed in the Basque Country; and the communitarian legacy of the Basque people. Arizmendiarieta showed himself to be an advanced visionary as he imagined and developed an economy that would serve the people, and thus make it possible to create the Mondragon experience (Azurmendi 1984). Importantly, it placed a high priority on creating employment, and specifically on creating associated workplaces. More specifically, included in EROSKI or Caja Laboral Popular are not only consumer or

¹ This is a famous quote from Arizmendiarieta. For more information see: <http://www.mondragon-corporation.com/ENG/Co-operativism/Co-operative-Experience-Historic-Background.aspx>.

credit cooperatives but also worker owned cooperatives, as their workers become members.

In this article, we analyze the characteristics of MC's solidarity and its democratic decision-making, and show how these practices are linked to effective management and competitive growth. We also explore tensions that have arisen through the process of internationalization and the economic recession, and describe how Mondragon is facing them. At its Fourth Congress, held in July 1993, the corporation established internationalization as one of its major objectives. In November 1994, the General Council agreed to develop a strategic corporate plan, designed to increase the presence of cooperatives in foreign countries. Despite these declarations, however, when Mondragon established new companies abroad, they began as ordinary private capitalist subsidiaries.

Still, to maintain the cooperative spirit and principles, MC introduced various measures that would let these firms contribute to the development of the host country in a more collaborative way. For example, they established rules to avoid worker exploitation and have engaged in constant dialogues in the congress and assemblies on whether, and how, to expand worker membership globally. Also, in 2008 MC developed a plan to extend cooperative membership to 50,000 employees of a large Spanish supermarket chain. These activities keep alive the question of how MC can expand globally by creating progressive and collaborative forms of governance and commitment to the working class.

The arguments and cases we present in this article are part of a larger project we are developing on the Mondragon experience (Flecha/Santa Cruz forthcoming). They are all the result of extensive fieldwork involving interviews and discussions with Mondragon officers and shop floor workers as well as extensive academic discussions.

We also introduce existing dilemmas and challenges, as we examine the opportunities open to Mondragon to be a real alternative to capitalism. Here we focus on what we have identified as Successful Cooperativist Actions (SCAs): key elements that explain the Mondragon case. First, we present six relevant features of Mondragon that differentiate it from private companies and from other cooperatives. Second, we analyze the main actions that have helped MC succeed in its democratic development and competitive growth. Third, this article ends with some remarks about lessons learned so far and those still to be analyzed from the Mondragon case.

2. Cooperativism That Makes a Difference

The Mondragon Corporation is grounded in democracy, competitiveness, and solidarity, making it for an economic model that is much more efficient and equitable than the standard ones. Six features that characterize the Mondragon cooperative group model have been identified as crucial in making it a unique case.

a) *Democracy that leads to competitiveness.* The organization is rooted in assemblies of cooperative members, which enable every single member to par-

ticipate in decision-making. In a capitalist company a significant proportion of the information about the company is not available to workers, as managers do not consider that workers need this information to do their jobs. In contrast, MC operates a complex democratic system that not only allows all the members to have information about the cooperative, but provides ways for them to be consulted and to participate in decision-making. Each cooperative has a double structure, based in both technical and democratic processes. The technically base guarantees that the group has the expertise and knowledge required for production; the democratic base guarantees that the principles of participation and transparency are always applied. Within this second structure, the Governing Council (Consejo Rector) is democratically elected by the egalitarian participation of all the worker members: one worker, one vote. This practice makes it especially interesting to analyze the functioning of the Mondragon Corporation. MC illustrates that an organization that is much more democratic and egalitarian than any capitalist company can succeed and can compete at levels recognized worldwide.

b) *Solidarity in profit for economic growth.* Since it was founded, the value of entrepreneurship has always lain at the core of MC, which constantly seeks innovation. One key to its expansion and growth is its emphasis on constant reinvestment. Mondragon reinvests a substantial percentage of its profits, both at the level of each cooperative and through inter-cooperative funds. In particular, each cooperative general assembly decides how to distribute 70% of the profits after taxes. By law, 10% of the profits must be allocated for education and pro-cooperative fund and 20% placed for the cooperative's reserve fund. A more common practice for the 70% consists of allocating 50% for the cooperative's reserve funds and the other 50% for the workers as capital. On the capitalized funds that belong to each cooperativist is paid annually and in cash an interest that can reach a maximum of 7,5%. The key point is that the largest part of the profits stay in the cooperative; the funds that workers accumulate are removed only when workers retire, die, or leave a position voluntarily. A comprehensive law regulates the process of shifting funds in such situations. This system of redistribution has allowed MC to innovate and grow. Using this orientation, MC created its own banking system (Caja Laboral), a Science Park for Innovation, the Mondragon University, and its own system of social security (Lagun Aro).

c) *Solidarity among workers across the corporation.* In times of economic recession, a solidarity system guarantees support among the cooperatives in various ways. Two mechanisms that establish the solidarity that is so characteristic of Mondragon are the mutual economic support between cooperatives and the policy of reallocating workers. By the 1970s, workers' reallocation had already been established as a way to respond to economic crises: workers were moved across cooperatives within the corporation. Another measure is the Employment Assistance Fund, which finances unemployment benefits for members who lose their jobs. However, Mondragon uses most of its resources to maintain jobs.² In

² For example, between 2008 and 2009, in the middle of the economic crisis, the number of members of MC cooperatives rose by 6,1%, indicating increased job security, while the number of jobs in its companies fell by 8.3%, though most of those jobs were not held by members of

contrast, regular companies following the capitalist model often fire workers to save money, or reallocate companies or close them down.

d) *Higher egalitarian salary scale.* Currently, the top salary at MC is six times that of the lowest worker, except that a few CEOs may earn up to 9 times the salary of the ordinary worker.³ At most of the cooperatives the ratio is far lower. For instance, in the industrial group, the largest one in the MC structure, 67% of workers earn between the lowest rate and double that rate, while 30% earn up to 3.5 times the lowest rate, and only 3% earn between 3.5 and 6 times that rate.⁴ In the early years of the corporation the difference was 1 to 3; when the IRPF (the Spanish personal income tax) was introduced, the difference was increased to 1 to 4.5 so managers would not lose their purchasing power. Years later, as the company structure became more complex, this difference rose to 1 to 6 in some of the cooperatives. Nevertheless, this 1:6 ratio is still small compared to the ratio in the regular labor market, especially considering the size and complexity of this organization. In general, executive officers earn less than managers in comparable positions in capitalist companies, which is in line with the principle of redistributive solidarity. In addition, technicians at medium levels usually earn more than professionals with the same profile in capitalist companies, as they also receive their share of the cooperative's profits in addition to their salary.

e) *Maximum job security and minimum temporary work.* In Mondragon cooperatives no more than 20% of the total worker can be temporary workers. Therefore, as a policy, MC offers membership to those whose positions are needed in the company. The current globalized economy has pushed companies to create more flexible production structures by promoting temporary work contracts that allow for more flexibility in the labor market. However, this practice has increased the number of people in precarious employment situations. By the middle 1990s the corporation was already facing the problem of increased numbers of temporary workers. In 1995, 31% of workers were temporary (non-members), and a discussion started on how to redress this situation. In order to place the rights and duties of temporary workers at the same level as those of members, MC created the legal figure of the temporary member. Article 26.2 of law 4/1993, which governs cooperatives in the Basque Country, established that temporary contracts cannot last more than 5 years and that temporary workers cannot constitute more than 20% of the number of permanent members (Altuna 2008). Often cooperatives use short-term contracts for members as a way to let them transition towards being permanent members; this gives them the opportunity to know each other before they formalize membership. This selection process is considered to be highly important, since each member will become a co-owner of the cooperative.

cooperatives. These figures contrast with the processes in most capitalist companies that were leading to severe employment.

³ Exceptional cases include wage differentials between FAGOR's Chief Executive Officer (1:7) and MC's CEO (1:9).

⁴ In addition to getting their salaries, workers receive 45% of each cooperative's net profit, which is distributed among worker members in proportion to their salary. This money is capitalized and workers get it back when they retire.

f) *Specific advantages for members.* The economic crisis has affected Mondragon Corporation, but the members of the cooperative have clearly benefitted from the existing solidarity mechanisms. Members whose positions are affected by structural unemployment have three options: they can take early retirement, they can leave the company and receive compensation, or they can continue working by being reallocated to another cooperative which is part of the corporation. As an example of this solidarity, at the 2009 annual assembly at a FAGOR cooperative, the workers agreed to give up their extra Christmas pay so that it could be invested in the early retirement of 128 workers who were over age 58, and some others over age 55 who could not be reallocated in other cooperatives. Members also have other advantages: all workers, and all of their family members, have total medical coverage for only 30 Euros per month, and for 15 Euros per month they can send their children to a good private school which is also a cooperative.

3. Successful Cooperativist Actions (SCAs)

The research team involved in the larger research project has identified various actions that have led to the success of MC, which we call ‘successful cooperative actions’ (SCA). In what follows, we sketch five of them, as an introductory reflection towards a more in-depth analysis. All these actions have been identified as having helped the cooperatives to succeed in growing in a competitive capitalist market. Some are strategies the group has developed to draw on their strengths in order to address challenges, especially in periods of economic crisis.

SCA 1: A banking company to connect all the cooperatives

Many cooperative federations serve as umbrella organizations, but Mondragon is different from most of them. Specific institutional arrangements were put in place to ensure a strong organizational solidarity. In its early days, Mondragon only involved individual cooperatives, with similar statutes, similar functioning, and similar funding sources. However, in 1959, it created Caja Laboral Popular (CL) which works cooperatively with people’s savings and provides resources for cooperative development. It also provides financial support and advice for the creation of new cooperatives, playing a role in planning and coordination as the group expanded. When Caja Laboral was created, the cooperatives became part of the CL General Assembly; this became the first institutional connection between all of them, moving beyond the links created by Arizmendiarieta’s leadership and vision. From the outset, CL has served three main functions for the whole group. Financially, it provides banking services to the industrial cooperatives. Technically, it promotes cooperatives and coordinates them within the industry. Socially, it created its own social security cooperative, which eventually evolved into Lagun Aro.⁵ Analysts agree that the creation of CL has proven to be strategic for the success of cooperatives, since the moment they were created.

⁵ In 1959, a government decree ruled that all cooperative members would be excluded from

This objective makes cooperatives more committed to job creation, an element that places CL beyond pure mercantile practice.

Among those involved in the anti-Franco democratic movement and the anti-capitalist movement, a typical debate was whether workers could create their own banking and social security institutions similar to those created in the late 1700s. On the one hand, from an statist perspective, Leninist organizations insisted that it was necessary to nationalize the banking system. They opposed the creation of overarching structures outside the state that would coexist with ordinary capitalist banks. On the other hand, the libertarian perspective (which included anarchist, communist, and socialist tendencies), along with grassroots Catholics, defended banking cooperatives and social security as necessary to keep workers autonomous from capital and the state. In addition to their instrumental considerations, the latter group saw it as unacceptable that workers' savings had to be managed by capitalist banks and/or capitalist states. Arizmendiarieta's views coincide with those of these movements, which constitutes Mondragon's basic principles.

The creation of the Mondragon Corporation and its Financial Group, organized through Caja Laboral and Lagun Aro, allowed the cooperatives to develop a wide range of reciprocal and mutually supportive mechanisms. These included knowledge transfer, the reallocation of capital and workers (when required) between cooperatives, shared support services, the creation of common funds, a shared strategy for new entrepreneurial projects, and a specific strategy to cover basic needs, such as health assistance.

The CL has been able to attract the savings of residents in the Basque Country, and has invested them to support existing cooperatives and create new ones. However, CL does not give any preferential treatment, such as lower interest rates or other special conditions, to the other cooperatives of the group. CL focuses its work mostly on individual customers and small and medium-sized enterprises. Financing other MC cooperatives is not a priority, although CL does support them financially. CL is among all Mondragon cooperatives the one which contributes the most to the Intercooperative Funds (IF). According to the most recent available data, CL contributed 9,9 million Euros to IF in 2008 and 3,1 million Euros in 2009, making it the main contributor. CL also contributes to the Cooperative Education and Promotion Fund (CEPF); it donated 4,6 million Euros in 2008 and 1,4 million Euros in 2009 (Caja Laboral 2009; 2010). These mechanisms (IF and CEPF), which involve the cooperatives in mutual cooperation, have allowed the cooperatives to cope with various crises and to expand progressively and very efficiently.

SCA 2: Investment of profits and humanistic management orientation

The policy of capitalizing all profits has been one of the bases for strengthening the cooperatives. Only 10% of the profits move out of the corporation. The rest remain invested in it through the reserve funds (Fondos de reserva) and

the state social security system. This is what spurred the CL to create its own social security system.

the reinvestment of any profits. The policy of capitalizing returns has made the corporation better able to resist crises and has also allowed both the groups and the companies to develop further. It has also created solidarity, because it has made it easier for some companies to help others that are in difficult situations.

It is often argued that capitalist companies should reinvest their surplus in order to maintain and increase their competitiveness. The great majority of cooperatives around the world have not engaged in this process as much as the Mondragon cooperatives have, for two reasons: cooperatives usually have more deficits than profits, and those that do have profits tend to distribute it among the members in order to meet their immediate needs.

Mondragon is a collective project. This collective sense is described clearly in its principles but is also shared among the majority of the members. And it is reflected in the decisions they take. Many workers are concerned not only about the individual profits they can get, but also about the future of the economic group. The structure of MC guarantees a balance between individual and collective profits; it also guarantees their personal economic security (and, to some extent, the security of their families and communities) and the continuity of the social transformation they engaged in.

A university professor in Barcelona, a communist, told his class, "For me, when the Iron Wall disappeared, it was as if the pope called all the Catholics in the world to meet in the Piazza San Pedro and said 'God does not exist.'" Some Spanish communists, who have invested their entire lives in hard militant work, risking prison and torture, feel they have not been able to create a society in which the workers have better lives, in which they do not have to work for capitalists who live well by exploiting them. Besides, they recognize some communist leaders among those who have a high standard of living based on the labor of others. In Weberian terms, this situation creates a very profound loss of meaning.

But those who have dedicated their lives to creating and developing Mondragon do not experience this loss. They know that they have generated important advances both for themselves and their communities. They see objective indicators of this progress, and they experience it in their daily lives. They know they are involved in creating a better world. For the majority of them, there is no contradiction between the collective good and the procedures dictated by classical rational choice; they are successful in both dimensions at the same time.

Surprisingly, this Generalized satisfaction is especially common among the highly qualified professionals who could earn much more in capitalist companies but who remain in Mondragon. Several factors could explain this situation, but more even if empirical research is needed to analyze these workers' perceptions in more depth. Among some people in the Basque Country, working at MC provides social prestige, and in fact society can penalize those who leave MC. Therefore, we acknowledge that a form of social control pressures these professionals to stay. But this situation cannot be generalized to all contexts. In fact, social control can also operate in the opposite direction: social pressure can lead workers to leave MC to pursue better salaries in regular capitalist companies, and those who choose to stay with MC can be seen as foolish. All these phenomena point

to the need for further analysis of the complex multifaceted role played by social control.

SCA 3: Open intellectual debate

A critical element of Mondragon's success is its educational approach. The vocational training school, from which the corporation emerged, played a key role in its later development. Thus Mondragon has always avoided the dilemma of having to choose between equality and economic success; instead, it has achieved both. It provides its workers with an education that is oriented towards enhancing both instrumental skills and values. In particular, researchers link its economic success to the emphasis on a comprehensive education which includes technical, social, and business knowledge (Aranzadi 1976; Spear 2000).

The force of Mondragon's educational base is strongly connected to the open intellectual debate that has characterized the group from its very beginning. Because the development of knowledge requires the perspective and contributions of social agents engaged in the situation being considered, intellectual work does not only take place in academic spaces; it also occurs in many other places in everyday life, including everyday life in factories. Max Weber and many others have clarified that in many parts of the world literacy did not develop primarily through schools, but through ideological movements, including religious ones. The same phenomenon has occurred in some social movements whose intellectual debates were much more open, pluralistic, and passionate than those in academia. In addition, and crucially, these movements have often read the original sources instead of interpretations by other authors, who have sometimes been incorrect. Many of the *Libertarian Ateneos* in Spain illustrate this well. In such gatherings, workers met regularly to discuss, for example, the writings of the anarchist Peter Kropotkin—and after a 12-hour workday. Similarly, the educational and intellectual richness of Mondragon is the product of intellectual activity well outside the walls of academia. Workers discuss and debate instrumental competencies and values in homes, pubs, and other spaces of the community. That is how Mondragon develops its own intellectual foundation, building on influences from many perspectives, and always using them to help transform its economy, society, and culture.

Mondragon's educational network is rooted in all the previous experiences of the group. It is composed of several vocational training centers and one university. The Mondragon Unibertsitatea is a young university, created, and officially recognized, in 1997. Three cooperatives, each with solid experience in education, worked together to create it. These were the Jose Maria Arizmendiarieta cooperative, the ETEO cooperative (today the MU Enpresagintza cooperative) and the Irakasle Eskola cooperative. Today, they constitute the two faculties and the school of the university.

A key characteristic of the Mondragon Unibertsitatea is its close and permanent relationship with the labor market. This allows it to shape its programs so they meet the real needs of MC's companies and organizations. In addition, it draws on research and development. Thus the Mondragon university joins a

network that includes other groups involved in technological research, including the internationally known technical centers, IKERLAN and IDEKO, which are becoming key parts of the university's organization. In addition, to boost the joint development of research, the *Polo de Innovación* has been established in the same location with the university, the technological centers, and the research and development units of several companies. Thus the university combines its commitment to excellence in training and research with a commitment to solidarity that will contribute to the well-being of its community (Luzarraga 2009).

Apart from the university, Mondragon's educational network includes several other training centers: the Politeknika Ikastegia Txorierrri, the Lea Artibai Ikastetxea, and the Otorora. The Politeknika served 370 registered students during academic year 2007–2008, and offered 41 courses (averaging 2.189 hours each) of occupational and continuous education; most of the 394 participants were current workers. The labor exchange at the polytech handled 302 job offers from local companies, an increase over the previous academic year.

SCA 4: Grassroots Democracy

The leadership of Arizmendiarieta and the influence of his ethical and social principles played a key role in the organization of the Mondragon cooperative group. In fact, he first promoted the idea of institutionalizing the connections between the various groups. After his death, the group carried out a thorough restructuring based on grassroots democratic participation. The Cooperative Congress and the General Council played key roles in this process.

It is difficult to find an economic organization anywhere in the world that so deeply involves its workers in governing and managing their own company. This is not easy; Mondragon must work very hard to address the many elements that help maintain the current inhuman, unjust, and inefficient economy. Many authorities point to an inevitable choice: keep alternative, non-capitalist forms of enterprises small and democratic, or make them bigger and less democratic. But Mondragon has continued to grow even as it has consolidated its grassroots democracy.

An overview of the general structure of the MC is useful to understand the way its democratic principles are implemented. The MC is divided into four main areas: finance, industry, knowledge, and retail. The Financial Group, which includes Caja Laboral and Lagun Aro, is involved in three types of activities: banking, social welfare, and insurance. The Industry Group has five divisions—consumer goods, capital goods, industrial components, construction, and enterprise services—and each includes a range of companies. The Knowledge Group includes the various training centers and four research and development centers, mentioned above. Finally, the Retail Group includes a network of hypermarkets, supermarkets, and cash-and-carry stores developed by the Eroski group and the Erkop Association.

The organizational structure is similar to an inverted pyramid: at the top are the cooperatives, with the sector divisions in the middle, and the corporate center at the base (Altuna 2008). The individual cooperatives are the base of

the MC's organizational structure. Each cooperative has a specific structure that facilitates a democratic organization centered in the General Assembly, the overall governing body where all members can participate. In addition, the cooperatives working in the same sector create subgroups that are included and represented in the corresponding sector division. This structure helps them to collaborate and exchange information, and to share services and take advantage of economies of scale. The corporate center provides common services to all the cooperatives; it advises on the initiatives that aim at business development and it provides technical, financial, and legal services.

The management bodies within the MC organizational structure—the Cooperative Congress, the Standing Committee and the General Council—are all managed through democratic methods and principles. The first and most basic principle is one person, one vote. People who are senior members or hold specific positions in the cooperative or the corporation are not given additional weight during any voting process. Anyone can become a member and participate in the governing bodies, providing they receive sufficient support from the other members of their cooperative. Any member of the congress or council can become a managing director, provided he or she meets the professional criteria and has the leadership qualities required for such a position. These are not paid positions. It is the council's responsibility to propose and elect the most suitable candidates.

The Cooperative Congress sets out the general framework for the whole group. All the issues that involve the corporation are subject to debate and approval by the congress. One of its key roles is to suggest issues for consideration, such as creating new cooperatives, conducting scientific and technological research (R&D), orienting its policies and education, considering the group's overall organizational approach, confirming the admission of new cooperatives into the group, and making agreements to dissolve areas of the corporation.

The 650 cooperative representatives in the Cooperative Congress are selected on the following conditions: A) Each cooperative can elect one representative for every 10 workers, for a maximum of two. B) Each division (sector) has one representative. C) The difference between the sum of A and B and the total number of congress members is prorated between the cooperatives according to the numbers of their members. No more than 30% of the total number of congress members can be from any one division. The congress can function as either a plenary or a board of congress; the boards meet annually and the plenary at least every four years.

Given that Spanish society was late to move toward democracy, compared to other countries in Western Europe, Mondragon has taken steps towards democracy from the time it began. Its founders were involved in the democratic opposition to Franco's dictatorship and in the movement against capitalism. Many people came together from a wide range of beliefs and perspectives, all seeking alternatives to the dictatorship with the most egalitarian and democratic solution possible. Instead of placing democracy in opposition to equality, they were very clear about the need to link both equality and democracy. Based on this perspective, the institutional arrangements developed in Mondragon constituted an internal democratic process. Mondragon represents an effort to create a robust

micro-democracy at the workplace, one that can strengthen ordinary political democracy. Participatory skills are cultivated in the workplace, members are represented equally in decision-making processes, and they participate directly in its government. Members' voices are listened to and spaces are provided for public deliberation. Mondragon became a 'school of democracy', and to pursue a collective a place where individuals learn the skills of democratic practice and pursue a collective purpose (Andrews/Ganz/Baggetta/Han/Lim 2010). Thus Mondragon is connecting workplace democracy and democracy in the state.

This is the kind of democracy that Mondragon continues to develop, and this is the kind of democracy that can facilitate success in other cooperatives and other companies which attempt to implement non-capitalist economic models. This kind of democracy is not specific to a concrete time and space; it is the kind that has been dreamt of and desired by most of the participants in anti-capitalist movements around the world. It is also the type of democracy supported by the main actors in the Soviet Revolution, whose slogan was not 'all the power for the Communist Party', but rather 'all the power for the Soviets [the councils]'. Without this kind of egalitarian democracy it is almost impossible to ensure that most participants remain enthusiastic. This kind of democracy, and enthusiasm, will be more necessary than ever in order to develop larger cooperatives that are efficient enough to compete with capitalist companies today and, perhaps in the future, with capitalism itself.

SCA 5: Its own social security system: Lagun Aro

In 1959, the law did not allow members of cooperatives to be included in the general social security system because they were seen as owners rather than wage earners. So Mondragon founded Lagun Aro (LA) that year, along with Caja Laboral.

Since its foundation, LA has contributed to MC's successful expansion in many ways. Here, we highlight three main features. First, it is prepared to face economic downturns effectively. For instance, between 2005 and 2008, LA developed a strategic plan that earned significant profits during a period of economic expansion—which ended just as the financial crisis was beginning. The crisis had a less dramatic impact as LA had accumulated significant resources. Second, LA reinforces social cohesion. The future of each worker, and his family, depends on the resources of this collective project rather than simply the economic vitality of his immediate workplace. All workers are individually interested in the progress of both their own cooperative and the whole Mondragon group. Third, LA stands for social responsibility. In Spain, people—including supposedly left-wing professionals and intellectuals—are still eager to show off how much they can cheat the social security system and other collective resources. This kind of cheating is rare in the Mondragon cooperatives. Among Mondragon members and their communities, LA has created an atmosphere of social responsibility. The idea that 'necessity makes virtue', a well-known Spanish slogan, accurately represents what LA means for MC. That is, because the law excluded MC work-

ers from the general social security system, they were able to create the LA, which now offers so many advantages.

4. Final Remarks

The specific institutional arrangements and actions that Mondragon has developed throughout its history should be understood from the perspective of a human project that has persisted, effectively, during changing times. Many of the decisions and arrangements that are part of the current structure cannot be understood without understanding the historical roots and the socio-economic settings in which they originated. In this article we have analyzed the Mondragon experience through its humanistic lens. We identified six features that show this humanistic focus: democracy leading to competitiveness, solidarity in profit for economic growth, solidarity among workers across the corporation, an egalitarian salary scale, maximum job security and minimum temporary work, and specific advantages for members.

The five successful actions also reflect this approach. MC has created a banking system to connect all the individual cooperatives; it re-invests its profits and emphasizes a humane management orientation; it reinforces both open intellectual debates and grassroots democracy, and it is creating its own social security system. As these are analytical categories, they allow us to highlight key elements that require further analysis, which is being conducted as part of a larger international project that explores Mondragon, as a non-capitalist alternative model.

Bibliography

- Altuna, L. (2008) (coord.), *La experiencia cooperativa de Mondragón. Una síntesis general*, Eskoriatza
- Andrews, K./M. Ganz/M. Baggetta/H. Han/C. Lim (2010), Leadership, Membership and Voice: Civic Associations That Work, in: *American Journal of Sociology* 115, 1191–1242
- Aranzadi, D. (1976), *Cooperativismo industrial como sistema, empresa y experiencia*, Bilbao
- Azurmendi, J. (1984). *El hombre cooperativo: pensamiento de Arizmendiarrrieta*, Mondragon
- Departamento de Empleo y Asuntos Sociales (2010), *Coyuntura del mercado laboral. Comunidad Autónoma del País Vasco. Tercer trimestre de 2010*, Gobierno Vasco, URL: <http://www.lanbide.net/descargas/egailancas/estadisticas/boletin/Informe310.pdf>
- Caja Laboral (2009), *Informe annual 2008*, Mondragón
- (2010), *Informe annual 2009*, Mondragón
- Flecha, R./I. Santacruz (forthcoming), *Mondragon and Its Successful Cooperative Actions*, Barcelona
- Mondragon Corporation (2010), *2009 Annual Report*, Mondragón, URL: <http://www.mondragon-corporation.com/LinkClick.aspx?fileticket=TeHx6JRMJRE=&tabid=331>

- Luzarraga Monsaterio, J. M. (2009), La Educación como eje vertebrador de la experiencia cooperativa de Mondragón, 4º Simposium Internacional: Educación y Valores. 'Economía y Valores en la Sociedad del Conocimiento', Durango
- Spear, R. (2000), Organismos de apoyo, in: Chaves, R. et al. (eds.), *Economía Social y Empleo en la Unión Europea*, Valencia, 83-135