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Mondragon Revisited

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In the face of the global financial crisis that has Spain's unemployment level standing currently at some 22 per cent, the Mondragon co-operatives offer an astonishingly successful alternative to the way we organise business and economies. Revisiting recently for the fifth time, since the early nineteen-eighties, the great complex of worker-owned manufacturing, retail, agricultural, civil engineering and service cooperatives centred on Mondragon in the Basque region of Spain, it was impossible not to be impressed by the resilience that has enabled them to take their share of economic hits and emerge largely unscathed. As Mondragon's Human Resources Director, Mikel Zabala, points out, "We are private companies that work in the same market as everybody else. We are exposed to the same conditions as our competitors." For example, Mondragon's Eroski worker/consumer retail co-operative—hitherto Spain's largest and fastest growing chain of supermarkets, hypermarkets and shopping malls—has over the past two years experienced for the first time since its inception in 1959 losses consequent on massively reduced consumer demand, and only now in the current financial year anticipates a return to modest profitability. Fagor, Spain's largest manufacturer of white goods including refrigerators, washing machines and dish washers, has successfully managed down production by 30 to 40 per cent in the face of a precipitous contraction of the effectively discretionary consumer durables market. The co-operative group's *Caja Laboral* credit union—effectively Spain's ninth largest bank—is recovering from a seventy-five per cent reduction in its profitability, from 200 million to 50 million euros. And following a sharp reduction in the use by the co-operatives of temporary workers, overall employment has stabilised at around 83,800. That so testing and ultimately triumphant an outcome has been achieved is attributable overwhelmingly to key attributes that set the co-operatives aside from comparable conventional enterprises. Not to be overlooked, in the first instance, are the conceptual framework and enduring solidarity and subsidiarity values that are the legacy to the co-operatives of their founder, the Basque priest Don Jose Maria Arizmendiarieta. Internalised and in part secularised as the values and framework have so largely become, they stem directly from the unswerving adherence by Arizmendiarieta, between his arrival in Mondragon in 1941 and the launch of the first of the co-operatives in 1956, to formation in the 'see, judge, act' or 'inquiry' study circle mould as developed by the Young Christian Workers (YCW) under the leadership of its long-time director, the Flemish priest, and later Cardinal, Joseph Cardijn. "The study circle", wrote Cardijn, "does not exist for its own sake: its only meaning is in terms of action and organization":

The apostle said: "Faith without works is dead". We must also declare that "The study circle without works is a dead study circle". The study circle is not just a teaching business. It communicates a faith, a faith enthusiastic for social, moral and religious action and organization. Such faith is itself impossible, inoperative, without such action and organisation.

Here finally was the crucible from which Catholic Action as properly understood at last emerged. Not without good reason did Pope Pius XI respond on being briefed by Cardijn in the Vatican in 1924 on his plans and aspirations for the YCW 'At last! Here is someone who talks to me about the masses, of saving the masses.' As recalled by one of the five lay co-founders of the co-operative group, Jose Maria Ormaechea:

The Study Circles in Accion Catolica and in JOC (Young Catholic Workers Movement) continued at progressively higher levels... under the aegis of the Diocesan Secretariat in Vitoria, Father Arizmendi organized specialist courses on sociology to which he invited economics professors... His ecclesiastical training led him towards being a practical apostle. He not only tried to give guidelines on what should be the model for the ideal enterprise, but he put that social enterprise to which he aspired into practice.

As well, practical advantage gives rise to enduring ties of loyalty to the co-operatives on the part of their worker members. As equal co-owners of their workplaces, members enjoy job security together with individual capital holdings, equal sharing of profits on a proportionate basis and an equal 'one-member one vote' say in governance. And members share at one remove in ownership of a unique system of secondary support co-operatives, from which the primary co-operatives draw resources including financial services, social insurance, education and training and research and development. Reflective of

the high priority attached by the primary co-operatives to the competitive advantage of cutting edge research and development is the augmenting of the original Ikerlan research and development support co-operative with thirteen sister bodies, specializing in the needs of particular aspects of manufacturing activity and product development. And faced as recently by adverse trading circumstances, the co-operatives are able to avail themselves of significant flexibilities. For example, non-members employed on a temporary basis can be put off until conditions improve. Members can agree to forfeit or postpone entitlements such as one or more of their fourteen *per annum* pay packets or the payment of interest on their individual capital accounts, or in extreme circumstances authorize individual capital account draw-downs. Co-operatives experiencing reduced demand are able to transfer members to ones where it is increasing, without detriment to their rights or entitlements. And supplementary capital can be accessed from centrally held inter-co-operative solidarity funds. Meanwhile, on hold until the economy recovers are further major changes expressive of the on-going commitment of the cooperatives to their origins and principles. These include agreed measures to enfranchise the 35,000 of Eroski's 50,000 retail workers who are not already members. Some 114 local and overseas subsidiaries owned or joint ventured by the co-operatives are scheduled for conversion to worker ownership on a case by case basis, consistent with their differing cultural, legal, business and financial circumstances. And in 2009, the United States Steelworkers union entered into an agreement with Mondragon to jointly develop manufacturing co-operatives in the U.S. and Canada, that has yet to be given effect. A record of so remarkable a character gives rise inevitably to pertinent questions. What contribution to productivity and workplace well-being might not countries other than Spain have to gain from attitudinal change such as Mondragon has so successfully engendered? What also might be the gains if in more instances labour were to hire capital as in Mondragon, rather than as all but universally capital labour? And why is the Church in the English speaking world so largely silent about the bringing to triumphant fruition at Mondragon of the long struggle in the cause of its social teachings, by successive generations of its finest clerical and lay sons?