

Good morning, everyone,
The featured article today is

COOPERATIVIZATION ON THE MONDRAGÓN MODEL: AN ALTERNATIVE TO
GLOBALIZING CAPITALISM
by Bowman & Stone (2004)

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The featured article originates from the author's visit to the Mondragón worker cooperatives in 1989, a time when Soviet communism had just collapsed but capitalist exploitation remained intolerable.

This work is a rethinking of their earlier study, now reframed for a world searching for alternatives to globalization,

The central claim is that cooperativization can transform global capitalism into a more humane, democratic, and sustainable system.

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INTRODUCTION

Despite decades of growth and expanded trade, inequality has widened, and poverty persists. Seemingly, Globalization has led to intensified capitalism.

And so, The authors propose a direct transformation of production relations through workplace democratization.

Among available models of alternatives to capitalism, the authors draw from David Schweickart's "economic democracy"; and Michael Albert and Robin Hahnel's "participatory planning". But, they emphasize democratization of ownership and management first. What also set apart is the author's claim that cooperativization can eliminate worst features of globalizing capitalism.

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Now, Just to give a brief background based on the article,

Mondragon was founded in 1956 by five students of priest José María Arizmendiarieta in Basque, it grew from a small stove factory into a vast network of industrial, financial, and educational cooperatives.

At that time, Unions were banned but agricultural co-op laws allowed workers to own their workplaces.

In 1958 Madrid declared members to be self-employed, hence ineligible for state health and unemployment benefits. So, the founders created their own cheaper system.

And In 1959, founders started the Caja Laboral Popular to give banking, entrepreneurial and health services to the 4 then-existing co-ops.

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In 1980's, Mondragon's resilience was proven during Spain's recession, During that time, the Basque country lost 20% of its jobs, but thanks to job transfers in the network, no layoffs were made, stabilizing the region's economy.

Then in 1986 Spain opened its market to Europe and to the world in 1989, boosting Network appliances, competing against major German and French brands.

Then, In 1991 over 100 co-ops, re-organized in three sectors as Mondragón Co-operative Corporation. This allowed speedy, centralized decisions typical of the multinational competition.

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By 2003, MCC employed over 66,000 people across 160 co-ops: 135 industrial, 6 financial, and 14 distribution.

Typical of worker co-ops, and unlike most capitalist firms, all Mondragón co-ops devote 10% of all profits to community needs.

Also, *infra-network competition* is foreclosed or not allowed by contracts with MCC, committing all new co-ops to uniform principles of job creation, shared capital, and democratic structure.

MCC became Spain's seventh-largest corporation in both sales and workforce, yet retained cooperative principles such as community reinvestment and democratic governance.

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But going back, before there is MCC. Worker cooperatives have long been capitalism's internal alternative. Many bears hope for a non-capitalist future, yet many have "degenerated" into capitalist firms.

In particular, the paradigm degeneration occurred in the Rochdale co-operative founded in England in 1844 when it took on investor members *to finance purchase of a new mill in 1859*. They outvoted worker members and in three years converted the co-op to a conventional firm.

Similarly, Olympia Veneer Company, the first of many plywood co-ops in the Pacific northwest, founded in 1921, hired wage workers Instead of taking in new owner-members, and In 1954 remaining members sell out. Olympia failed as a co-op, because of wage labor and because ownership was of individually sellable stock shares.

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Considering the trends, Mondragón avoided the seen pitfalls through structural safeguards as follows:

- They Separated the ownership, from voting, and strictly implemented a one member, one vote rule. guarantees that each member has an equal say.
- Instead of buying stock, new applicants advance labor to pay the membership fee. Members starts an "individual capital account" (ICA) to which monthly and year-end profits and losses are credited or debited.
- Rights attach solely to membership and terminate when members retire or leave. having no non-worker owners, co-ops remain whole solely in the hands of their active workforces, avoiding the Rochdale error.
- Since members do not receive wages. they have: 1) monthly and annual profit distributions; 2) 6% annual interest on their loans to the co-op; 3) a vote on undistributed funds; 4) access to all records; and 5) a vote on policy and managers.
- In a worker co-op, labor time is neither bought nor sold, a co-op's workers together share all profits and losses.
- Another safeguard is having the general assembly. It elects the board of directors (consejo rectoral) which appoints management, a watchdog council (consejo de vigilancia) to monitor management and a social council (consejo social).
- Subject to board and management approval, the social council indexes jobs within the 1 to 6 spreads based on demands for experience, training, responsibility, and hardship. Maintaining equity by limiting the wage ratio among members, ensuring fair compensation practices.
- Mondragon also, Re-unites in *one* person the functions of worker, manager and owner, which are consigned in three separate persons in Capitalism. By reuniting these roles, the cooperative eliminates conflicts of interest, enhances

collaboration, and promotes a unified vision for sustainable growth and shared prosperity.

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According to Henk Thomas: "Productivity and profitability are higher for co-operatives than for capitalist firms. It makes little difference whether the Mondragón group is compared with the largest, or with small-and medium-scale industries; Mondragón is still more productive and more profitable.

Similarly, the authors argue that the closer workplaces get to Mondragón-like co-operative labor, the more productive and profitable they are.

Levine and Tyson also conclude that worker participation usually boosts productivity, but especially when combined with 1) profit-sharing; 2) guaranteed long-term job security; 3) small wage spread; and 4) guaranteed worker rights.

Remarkably, Mondragón unites all elements at once, outstripping all types of capitalist firms in productivity.

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However, Mondragon is not exempted, degenerative trends also threatened its integrity. With these 3 degenerative practices.

1. When demand increases, the co-ops often hire non-member wage labor.
 - from 30% up to 40%. Leading to a reliance on temporary labor that undermines cooperative principles and worker solidarity.
2. on the gender division of labor women do slightly better at MCC than in capitalist firms. But bluecollar work remains largely male, which perpetuates existing gender disparities and limits their advancement within the cooperative structure.
3. There are unnecessary sacrifices of cooperativism. In 1999, external non-voting capital stakes were at 13% of MCC equity (value). due to joint ventures and acquisition. The article emphasizes that Mixing co-op and external investor capital contravenes co-op principles and introduces instability.

Mondragón is often cited as the gold standard for worker-ownership, but The question is Can a value-based firm survive a market-based world without losing its soul?

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Since the late 80s, there is seen a shift towards what George Cheney calls 'neo-cooperativism. This emphasizes competitiveness, yet risks losing the core values of cooperation and solidarity that define true cooperative principles in practice. Even when

social councils issue blistering critiques of this centralization, there is a pervasive, dangerous fear that survival *requires* the compromise of cooperative principles.

However, productivity and profitability actually *increase* with liberated, self-managed labor. To save the model, Mondragón doesn't need to be 'Capitalism-Lite'—it needs to be more radical. That means ending wage labor, introducing gender democracy, and giving social councils a real seat at the table.

As stated in the article, worker co-ops don't fail because they are democratic; they fail because, in isolation, they are not cooperative *enough*.

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To continue, Mondragón leads a movement that is already building a democratic production economy.

In Italy's Emilia-Romagna region, networks represent 2,700 co-ops. Europe is having a worker co-op boom, employing 1.3 million people. From the Co-op Atlantic federation in Canada to Japan's Seikatsu network, national federations are linking to facilitate global inter-co-operation. This is the vanguard of liberated co-operative labor.

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This movement engages humanity in three tiers.

First, the cooperative networks. These networks consist of organizations like Mondragón that operate entirely on cooperative principles.

Second, trade unions demanding participation and Germany's '*mitbestimmung*' laws. This tier includes the vigorous (Employee Stock Ownership Plan) ESOP movement, and union participation.

The third tier embraces humanity's rural half, where village-based production uses social property. This tier focused on community support and sustainable practices, empowering local economies and fostering resilience through shared resources and collaborative efforts. This 'people's economy' aims to democratize production, distribution, and investment.

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Looking at it, Cooperativization replaces hierarchical structures with voluntary associations, fostering skill sharing and collaboration.

Workers in democratic firms have strong incentives to share skills. And since effectively exercising collective creativity is pleasurable, management supervision is less necessary.

Cooperativization not only enhances productivity but also encourages democratic governance, unraveling traditional capitalist production methods.

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And to further highlight the differences of capitalism and cooperativization in Mondragon, we look at these two key factors. First, In Mondragón cooperatives, profit distribution are equitably distributed among worker-members, promoting solidarity and shared success. While in contrasts with traditional capitalism, profits primarily benefit shareholders, often neglecting employee welfare and community impact.

Mondragón also employs democratic decision-making processes, ensuring that worker-members have a voice in governance. While in traditional capitalism typically centralizes power among executives and shareholders, limiting employee participation in crucial business decisions.

Capitalism once had a kind of magic that productivity came from the capitalist's money, But as we moved into high-skill, digital, and capital-intensive production, the 'boss' became a bottleneck. Modern technology actually thrives on self-management.

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Moving on, A perennial problem for cooperatives is finding enough capital. External financing runs afoul of the Rochdale problem, and lenders' moral hazard rises as debt rises. Rosa Luxemburg thus concluded that co-ops cannot take over capital-intensive centers. To prove her wrong, the author's presented three possible solutions for the workers.

First, self-financing through community priorities like MCC's Caja or union-sponsored venture capital.

Second, local government financing and participatory budgeting where the social economy has a claim on tax support.

Third, workers' pension funds. One third of US stocks is owned by these funds. Democratic oversight could ensure these funds benefit the people and not just financiers.

Relatedly, Such solutions needs support by a major co-operative sector to counter public relations blasts from multi-nationals with political reforms such as: uniform tax credits, giving workforces 'first refusal' if a firm is for sale, and [preferential bidding on contracts](#).

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Now on the paradigm shift,

To form a co-op, one does not simply invest or sell labor; rather, one chooses to 'throw in one's lot' with others or a 'pooling of living labors' that defies market 'rationality.' It is about people deciding to share their lives and work together based on trust rather than just trying to make the most money.

Cooperativization shifts the basic priority of production from profits to needs. In a co-op, the heart of an enterprise shifts from a non-moral to a moral bond. Each member gives their labor power to the others in the expectation that the community will in turn guarantee their economic life.

The authors contend that co-ops show the rationality of the gift economy. We see this when mothers give milk to children solely because they need it, we are born to give. While the money economy exploits the gift economy, worker co-ops are resistant assertions of solidarity against the money economy.

Despite claims by liberals and neo-liberals that self-interest is human nature, it is deemed that it was constructed and imposed by separating workers from the means of production. By forming a cooperative, members aim first at the good of the collectivity, and by serving the co-op, they serve themselves in it.

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Cooperativization undoes globalizing capitalism.

Since for workers, co-op is a reliable source of livelihood, cheaper labor is almost ruled out. To tie down capital, cooperativization will aid and be aided by measures such as canceling third world debt, closing off-shore tax havens, and converting free trade into fair trade with long-term contracts.

Cooperativization also ends the very accumulation of capital as social power. Profit goes no further up the scale of social power than the workforce whose labor time created it. This control allows members to "take" earnings either as money or as free time.

Cooperativization restricts globalization's spread of exploitation to new arenas just by expanding exploitation-free social space with each new democratic work-site.

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Under co-operative accounting, the 'cancerous growth' of capitalism gives way to moderated competition. A co-op has no incentive to double its size because per-worker profit remains the same.

The authors propose a 'post-market society' using the internet for iterated participatory planning.' This replaces market distribution with direct communication and agreement. To resolve structural unemployment, we must combine cooperativization with work-sharing, shorter hours, and a 'basic guaranteed income.'

Waiting for capitalism's final collapse invites chaos or fascism. Cooperativism empowers workers now to replace markets with inter-communication among the world's vast majority.

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Now we will look on the 7 Objections and Replies of the author's to Address common misconceptions in cooperativization

1. Won't the best rise to the top, upsetting co-op egalitarianism? Mondragón proves this wrong: while they widened income spreads to retain talent, managers have never received greater political rights.
2. Won't the egalitarian commitment dull effort incentives? matching studies show co-ops are actually *more* productive. The secret isn't just the money; it's the 'effective collective control of the pay scales that creates a sense of morale that capitalist firms lack.
3. If overproduction is a problem, how can an even more productive form help? Mondragon show that cooperativeization solves the crisis of overproduction by narrowing income gaps, making goods affordable to the workers themselves.
4. Can a cooperatized market economy expand to displace capitalist forms? While critics say co-ops are too 'slow' to respond to demand, this stability actually prevents the 'boom and bust' cycles that infects capitalism. Stabilized demand is a sign of efficient resource allocation.
5. Will workers in co-operatives have enough sense of solidarity to make the sacrifices needed for public goods? Mondragón's 10% tithe proves that solidarity is inherent to their structure. Co-ops utilize non-exclusive social property, building 'social property' that serves the community first.
6. Won't incrementalism make it vulnerable to attacks? author's respond that asserting collective autonomy now is far more effective than waiting for a top-down government that may later fail. Cooperativization is the surest way to socialize daily economic life through grassroots struggle.
7. Is this another privileged Western source? The authors argue that the cooperative is a trusted way to meet needs globally, from factories to villages. Their advocacy of cooperativization is an act of faith in order to advance debate; they solicit any correction to get closer to the truth. Ultimately, the authors emphasize that the focus is on a form of production that works both in first-world factories and in third-world villages: cooperatives.

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For the Conclusion

Mondragón's endurance rests on moral conviction.

Despite temptations to sell out, members remain committed — not from self-interest, but from a sense of shared destiny.

The cooperative model is imperfect but salvageable. If linked with global solidarity movements, it can peacefully replace corporate globalization with democratic control of production.

Another world is possible — one built not on competition and accumulation, but on cooperation and mutual care.

And the first step is clear: its cooperativization.