

The Ethics and Values of Cooperative Culture in the Basque Region of Spain

By Georgia Kelly

Introduction

There was a popular phrase among some politicians a few years back that proclaimed, "there is no alternative" (TINA) to the status quo of neoliberal capitalism. Or, that there is no such thing as "society," only individuals. More recently, tech billionaires have taken this a step further, celebrating individual freedom to the point of eschewing any social responsibility. The obvious hubris in these beliefs is outdone only by its complete and utter lack of empathy and vision.

I am happy to write about a real alternative to the above dark fantasies. After participating in eleven week-long seminars at the Mondragón Cooperatives and spending time in the Basque region of Spain, it is crystal clear: There is an alternative! The economic policies of their worker-owned cooperatives have created a thriving business atmosphere – one that grows at a sustainable pace and values workers at all levels.

So, what are the Mondragón Cooperatives and what is so unique about the Basque culture that has managed to support and nurture this model for nearly 70 years?

In order to answer that question, we need to look not only at the cooperatives and how they function but also at the values and ethics that inform them. We need to take a closer look at the society, the aspirations of most Basque people, their NGOs, governance, and the role of peacebuilding. In this short paper, I hope to offer an overview of why the Basque Country and why the Mondragón Cooperatives in particular offer such a hopeful promise for humanity.

The first few Praxis seminars at the Mondragón Cooperatives were focused on the businesses, the Social Councils, the Democratic decision-making process, and the roles of managers and CEOs. We visited industrial businesses, a research and development center, a youth cooperative, the Guggenheim Museum that was partially built by a Mondragón construction company, and we had daily lectures and lunch at Otalora, their educational center, a beautifully-refurbished 14th century villa in the hills above the town of Mondragón.

Over the years, I have become interested in what was unique about this culture that not only birthed a plethora of cooperatives but managed to sustain them over many decades. Though today the Mondragón Cooperatives comprise nearly

100 businesses, a university complex, a bank with 380 branches, a supermarket chain, and the largest Research and Development complex in Europe, it began modestly in 1956 with a five-person worker-owned cooperative that made kerosene stoves. The visionary for this system was a parish priest, Father José Maria Arizmendiarreta, who wedded out-of-the-box ideas with practical actions. Since there is a good book written about the early days of Mondragón, I will not recount them here.¹

The stated mission of the Mondragón Cooperatives Corporation (MCC) is to create wealth within society, to foster a people-centered society instead of a capital-centered society, to honor all work with dignity, and to limit the number of work hours so that people have a live/work balance.

Mikel Lezamiz, former educational director at MCC, says, "People are the core, not capital. This is the main point. If capital has the power, then labor is simply its tool."

There are people who insist that such a massive project of cooperatives could only happen in the Basque region because they have a history of cooperation, of working together, and that individualistic societies like the U.S. could never nurture large-scale worker-owned businesses. When I asked Ander Exteberria, the director of Dissemination at the Mondragón Cooperatives, about this, he strongly disagreed. "We are normal people," he said, implying that this could develop anywhere. But, that is assuming that "Anywhere" has the right combination of leadership, vision, ethics, and practical business acumen.

I asked if he thought that the impoverished state of the Basque region in the 1940s, which had an unemployment rate close to 70 percent, aided in developing cooperatives. He agreed that it most likely did. People were desperate, and when Father Arizmendiarreta created a polytechnic school to train many of the unemployed people in Mondragón so that they could land jobs in Bilbao's industrial sector, they embraced the opportunity. Eventually, five students emerged from this school to form ULGOR (later renamed FAGOR), the first cooperative. FAGOR industrial appliances still exists today, sixty-seven years later.

Fred Freundlich, an American who has taught at Mondragón University and lived in the Basque region for 30 years, had a different perspective. "There is a social fabric in Basque consciousness," he said. "Cooperation is rooted in the society,

¹ *Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex* by William Foote Whyte and Kathleen King Whyte, 1989.

and a sub-culture of cooperation developed through the Mondragón Cooperatives Corporation.” It seems that the Basque culture and the Mondragón Cooperatives have established a feedback loop that encourages cooperation.

Considering that poverty in the area allowed space for a different vision may be a key factor. I don't think it is necessary, but it does seem that desperate situations leave room for more creative solutions. Being too comfortable does not bode well for disrupting the status quo.

But, with the climate crisis upon us, growing economic inequality, a plethora of dead-end jobs with minimal pay while CEOs rake in billions, and the increasing unrest that accompanies all this, we may finally be more open to a new way of organizing business, work, and society. Examining the culture that spawned and nourished Mondragón has become more urgent in light of the crises we are facing today.

The crucial role that Father Arizmendiarreta played in the development of the Mondragón Cooperatives and all that emerged from them cannot be overstated. His vision guided the development of the cooperative movement, and his practical but sometimes unique maneuverings grounded the vision in a strong foundation that could flourish over a long time into the future.

At the end of several of our seminars, we were given copies of a small book of quotes from Arizmendiarreta. These sayings serve to illuminate the underlying ethics and philosophy that has been at the foundation of the cooperatives from the very beginning. Here are a few examples:

- Freedom is the oppression of the weak. The law is the freedom of the poor.
- The position women have in any society is the exact measurement of its level of development.
- The cooperative movement is an educational effort that uses economic action as a vehicle of transformation.
- Knowledge must be socialized so that power can be democratized.
- It is a bad tactic, history warns us, to start by compromising our values, expecting their recuperation later. With this strategy, those who have the best odds to win are usually the least scrupulous, the adventurers and the tyrants.

Core Business Principles

Arizmendiarreta's vision was imbued with ten core principles (see diagram on page 5) and these were transmitted to students at the polytechnic school and eventually to the worker-owners. One of these principles and a main goal of the Mondragón Cooperatives is Social Transformation, which demonstrates the wholeness of the vision and the commitment to systemic change.

The Mondragón Cooperatives are united by a humanist concept of business, a philosophy of participation and solidarity. One worker-owner = One vote. There are no shares to sell or trade. Each worker-owner has one share and can cash out if he or she leaves, but they cannot sell that share. This has protected Mondragón businesses from being taken over by larger or multi-national corporations. Wage solidarity, another of Mondragón's Core Principles, is demonstrated in their salary structure. The average CEO earns only 6 times the salary of the average worker-owner, a far cry from U.S. CEOs who might earn 300-400 times the average salary.

The Mondragón Corporation provides healthcare and social welfare insurance through Lagun Aro, a social protection system for Mondragón worker-owners. It includes disability, sick leave, unemployment insurance, maternity and paternity leaves, pensions, and professional training and retraining. Mondragón workers have 4 to 6 weeks paid vacation plus paid sick leave. They also receive medical insurance through the Spanish system.

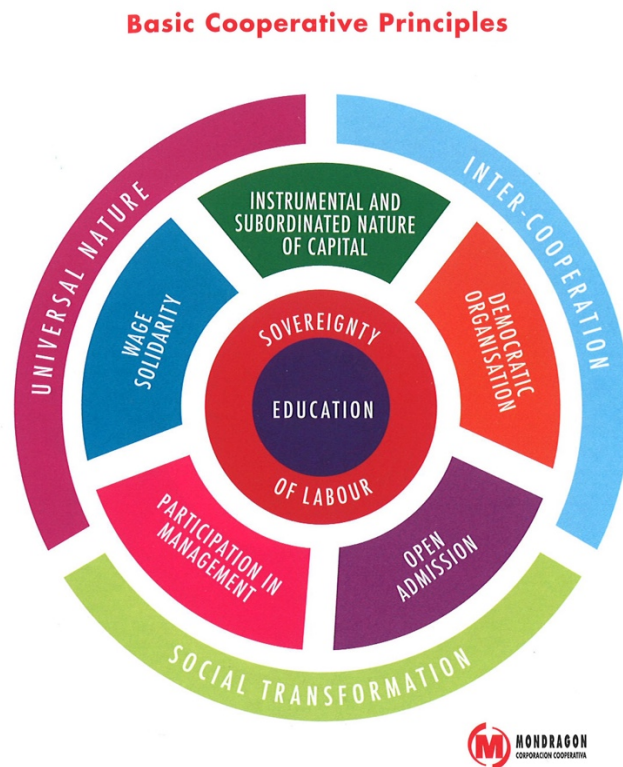
Mondragón businesses range from the manufacturing of auto parts that are sold to all major auto companies throughout the world, including U.S. companies, industrial appliances that are marketed primarily to restaurants and hotels, the Eroski supermarket chain that sells food as well as appliances, books, TVs, computers, towels, bedding, household appliances, furniture, and much more. Mondragón businesses also manufacture computer chips, bicycles (Orbea), industrial machines that make parts for jet engines, wind turbines, and rockets. Overseeing the largest Research & Development complex in Europe gives Mondragón a jumpstart on innovation and the development of new products.

"People before profit" is the underlying principle that we hear in every seminar at Mondragón. Acknowledging that profit is essential in order to stay in business, they also understand that it must be secondary to the people doing the work.

Understanding the principles of conflict resolution is also an integral part of MCC. When someone in our seminar asked what they would do with a worker who was

inattentive or goofing off on the job, our instructor didn't hesitate for a moment. "We don't believe in confrontation," he said. "We would initiate a dialogue in order to find out what is causing the problem. Maybe he is ill or there is a difficulty at home, a pending divorce, or some other cause." The focus at MCC is not punishment for bad or inattentive work but interest in the individual having the problem and how it might be fixed. Their approach of caring and inquiring before making any assumptions is another area that sets Mondragón apart from many businesses.

Since education is the central Core Principle in the Mondragón system, it follows that in the early 2000s, one of the key components incorporated in the educational system was the study and practice of human rights and peaceful coexistence as part of the school curriculum. As primatologist, Frans de Waal, has noted in his research, primates have the possibility of being aggressive or peaceful, and much of it has to do with the environment in which they are nurtured. We have the capacity of being peaceful and respectful and an educational system that teaches the principles of conflict resolution and human rights at a young age is preparing a generation of people capable of handling conflicts maturely.



The Mondragón University System

Mondragón University includes three campuses that are located in Mondragón, Oñati, and Irun. The Mondragón campus is focused on engineering and the schools in Oñati and Irun are focused on business. The Basque Culinary Arts Center is a fourth university program that opened in San Sebastian in 2011. Attracting well-known and accomplished chefs from around the world as faculty members, this university has a waiting list for in-person classes but they also offer online courses.

The first Mondragón University campus was established in the town of Mondragón and grew from the original polytechnic school that was founded by Father Arizmendiarreta. It was officially established as a university in 1997. Mondragón University also includes a network of social innovation, ecosystem labs created by the Mondragón TeamAcademy, a program within the business school that was founded by José Marí Luzarraga. This team has built alliances with universities in several cities and has centers in Bilbao, San Sebastian, Irun, and Oñati in the Basque region and in Madrid, Valencia, Barcelona, Shanghai, Queratarto, Seoul, Puebla, Berlin, Puna, and Seattle. Students study in at least three different countries during their highly-innovative four-year program.² They are tasked with creating working cooperative businesses while at university. Some of these businesses have continued after the student ‘teampreneurs’³ graduate from university.

Environment and the Climate Crisis

The Basque Country (País Vasco), an autonomous region in Spain that includes the provinces of Álvara, Gipuzkoa, and Biscay, established its own parliament in 1979. Able to set its own markers, the Basque government committed to a reduction of greenhouse gas (GHG) emissions by 40% by 2030, and they are on track to accomplish their goal. By 2018, they had already reduced emissions by 26%.

In addressing environmental concerns and the climate crisis, the Basque Parliament has committed to altering policies as well as addressing behavior changes. First, is the acknowledgment that consumption patterns must be modified and that environmental concerns should be included in all policy sectors. Balancing a reduction in the use of natural resources while also increasing

² TeamAcademy - <https://Mondragónteamacademy.com/>

³ The term “Teampreneur” was coined by the José Marí Luzarraga, the founder of this program.

productivity is challenging, but they suggest creating a new model of development that reflects these climate goals.

The Basque Country government signed on to the European Green Deal by unveiling their own plan for a more sustainable future, which includes social and economic justice. They are creating a new regulatory structure, one that incorporates energy transition methods in line with their emission targets. These plans include the establishment of photovoltaic power cooperatives, new windfarms, support for local farms, and a coordination of Mayors in facilitating these projects in the Basque Network of Municipalities.

The Basque government also maintains that Quality of Life must be built on the foundations of environmental sustainability, that values, lifestyle, consumption patterns, and the way of thinking, must be modified. Strategic planning and reflection on creating a new model of development must be part of their vision and goals.

The “Climate Change Strategy of the Basque Country to 2050” (KLIMA 2050, published by the Basque’s government Department of Environment and Territorial Policy)⁴ was endorsed at the 2015 Paris climate summit as one of 24 of the world’s leading public programs for a low-carbon economy. In preparation of this report, the Basque government created an online portal for public input, inviting their citizens to contribute ideas and strategies. This is typical of the cooperative strategy, where everyone can contribute to the solution-making process. All citizens can take ownership of both the process and its achievements. The Basque Region plans to be carbon neutral by 2050.

Orkli, a Mondragón Cooperative and world leader in the manufacture and sales of thermoelectric safety components, has developed the only integrated and 100% autonomous mechanical-circulation solar power system on the market. It does not require electricity to operate, thus saving costs and energy, and it is 100% sustainable because it does not release CO2 into the atmosphere.⁵

Another Mondragón Cooperative, Domusa Teknik, manufactures Solar Systems for hot water systems, heat pumps, biomass boilers, hot water heat-exchangers, electric boilers, and other related products.

⁴ <https://regions4.org/actions/klima-2050/>

⁵ <https://www.orkli.com/en/web/confort-calefaccion/solar-heating>

Mondragón Research and Development includes work in the wind industry, induction technology, electronics and communication, medical research, industrial and data security, and the development of lighter trains and airplanes for energy efficiency.

Efficiency

One thing I have observed in visiting Mondragón and the Basque region over the past 15 years is that they are constantly evolving. Products, ideas, or plans that either hadn't existed or were in early stages of development one year might be fully developed two years later. I have never visited the same Basque region in the eleven times I have been there. They adapt, organize, and implement quickly – all without the stress that we would expect with such activity. Maybe it's because they are working cooperatively, not as individuals who have to prove their worth, but as team members who support each other.

In the early stages of COVID, the Spanish government realized they were woefully short of masks to protect their healthcare workers and citizens. Acknowledging the efficiency and quality of the Mondragón Cooperatives, the Spanish government's Agency for Medicine and Medical Devices reached out to two Mondragón Cooperatives (FAGOR and Bexen Medical), and asked them to produce as many surgical masks as possible and in the shortest amount of time as possible. Within one week, the project was well underway and soon they were producing 10 million masks per month. ⁶

Social Transformation in Basque Non-Government Organizations

The Basque Case is defined as the “Implementation of a socio-political-legal-economic model built on three principles:

1. The Ethical Principle (universal rights, social justice, peaceful coexistence, humanism).
2. The Democratic Principle
3. The Sustainable Human Development Principle (which takes into account the impact on future generations).

⁶ <https://www.fagor.eus/en/Mondragón-assembly-member-of-the-fagor-group-will-build-machines-to-produce-surgical-masks/>

Operating on these principles is The Agirre Lehendakaria Center,⁷ a non-government organization located in Bilbao. Their social innovation center specializes in systemic transitions towards Sustainable Human Development. What they call the “K Factor” is the integration of culture, narratives, and values from each community toward a holistic vision of Sustainable Human Development. They employ Deep Listening in order to “break with the traditional division between analysis and action with a permanent listening system.” They are working with transformational processes in more than 10 countries in collaboration with local institutions. These countries include Uruguay, Bangladesh, Colombia, Kosovo, Armenia, Thailand, Pakistan, the Basque Country and other areas of Spain.

Examples of what they do can be explained with one of their programs in Spain. Working with a challenge like energy transition, they are dealing with the transformation of an economy. Using their Social Innovation platforms to address the closure of two coal-fired power plants led them to establish a multi-stakeholder collaboration with an electricity company and two university innovation centers. They focused on lost jobs, the creation of new jobs, migration, an ageing population, and the cultural changes that will accompany economic changes. This process is co-creative and values all stakeholders, including the citizens of the region, by seeking input from everyone affected by the decisions.

Another innovative NGO is the Basque Women’s Institute, Emakunde, that was established as an autonomous body within the Basque Parliament in 1988.⁸ Their purpose is to educate and implement gender equality throughout the society. In all Mondragón worker-owned businesses, women and men are paid the exact same salary for the same work, and since I first visited the area in 2008, there are many more women in management positions, on corporate boards, and in politics today (2022). In fact, the Mayor of Mondragón, María Ubarretxena, has held that office for the past seven years and was first elected when she was 35 years old. We were fortunate to have a special session with her in 2022. The Basque Parliament also increased the proportion of women MPs from 24% in 1997 to 58% by 2009.⁹ As one can see, the work of Emakunde continues to be very successful.

⁷ www.agirrecenter.eus

⁸ <https://www.emakunde.euskadi.eus/webema01-inicio/en>

⁹ <https://blogs.shu.edu/basqueresearch/2015/12/01/parity-in-parliament-gender-equality-within-the-basque-government/>

Both of these NGOs demonstrate a commitment to social transformation and a determination to accomplish their goals in a short amount of time. One doesn't hear about how long it might take or how unrealistic it is to make systemic changes; they just focus on getting them done.

The Basque Parliament and Department of Coexistence and Human Rights

Juan José Ibarretxe, former President of the Basque Parliament, said that "One of the greatest failures of Neoliberal economic and political thought has been its abandonment of humanity to the impulses of the market. Ibarretxe also observes that "a market without values is not a real market, but an auction."

He noted that in the Basque Country, innovation has become the motivation for a comprehensive social approach to sustainable human development and that incorporating innovation and humanism in the identity of their organizations gives them a powerful lever for social transformation."

It is important to note that while the Basque region developed cooperatives in a peaceful atmosphere, there was also a terrorist faction, ETA (Euskadi ta Askatasuna), that killed and threatened many people who were not on board with the Basque separatist movement to secede from Spain. ETA formed in 1959 as a backlash to the repressive Franco regime. Franco had forbidden the Basque language to be spoken or taught in schools. Tragically, ETA managed to kill more than 1,000 people within a 60-year period. So, the region has also dealt with violence.

The Basque Department of Coexistence and Human Rights was established after the successful negotiations with ETA resulted in their agreement to abandon violence and begin a Truth and Reconciliation process between the victims and perpetrators. Many outside peacemakers were eventually involved in the process, but the spearhead was the Basque Peace group, Elkarri,¹⁰ that was headed by Jonan Fernandez. He and Gorka Espiau, who later founded the Agirre Center, visited the Center for International Conflict Resolution at Columbia University in New York and had meetings with Andrea Bartoli, who founded the center and Senator George Mitchell, who was at that time a senior research scholar there.¹¹

¹⁰ <https://blogs.shu.edu/basqueresearch/about-us/>

Later, when Elkarri dissolved, Fernandez created Baketik a peace organization that is dedicated to promoting processes for coexistence and social transformation based on a strong ethical foundation. Conflict resolution education, processes of reconciliation, and the use of creative expression through narratives and drama are central to their purpose. Or, as their website says, “Culture can – and must – drive social reflection.”

When we visited Baketik, their offices were located on the monastery grounds of Our Lady of Aranzazu in Oñati, but today they are based in Tolosa, about 17 miles southwest of San Sebastian. Jonan Fernandez left Baketik when he was appointed General Director for Human Rights, Coexistence, and Cooperation in the Basque government. This appointment was a direct result of his work with ETA and in other peace and human rights projects and education.

In 2011, Fernandez’s work with ETA resulted in the agreement by ETA members to abandon violence. At first, ETA members were reluctant to give up their weapons because they feared retribution. However, by 2017, ETA turned in all their weaponry, and by 2018, ETA dissolved itself completely, thereby ending a sixty-year reign of terrorism in the Basque region. From start to finish, all this was accomplished in fewer than ten years.

I have often thought about this extraordinary process and what we can learn from it. If Fernandez had parroted the maxim we often hear in the U.S., “we don’t negotiate with terrorists,” ETA would probably still be terrorizing people today. Rigid positions on any side do not pave the way toward solutions or peace.

Jonan Fernandez has written several books and one is translated into English, *Being, Human in Conflict*. Another excellent book, though it is only available in Spanish, is *Vivir Y Convivir: 4 Aprendizajes Básicos* (Living and Coexisting: 4 Basic Lessons).

The above is to affirm that the Basque Country is not utopia, or as Mikel Lezamiz, the former Director of Dissemination at Mondragón, said, “This is not paradise and we are not angels.” However, by the end of our week-long seminar, he never managed to convince most of us. Though Mondragón might not be paradise, it is much closer to that ideal than where most of us live. What they call “normal,” is clearly an evolved normal.

The difference in the Basque Country, as demonstrated by the dissolution of ETA, is that they deal with problems with the goal of solving them rather than winning

and establishing who is right. Posturing and grandstanding are not part of the mix. It is a mature manner of dealing with problems, and I have found that Jonan Fernandez's books illuminate that process as do the reports published by the Basque government's Department of Coexistence and Human Rights. In 2022, the International Catalan Institute for Peace awarded the ICIP "Peace in Progress Award" to all the civil society peace initiatives of the Basque Country "for their contribution to the advancement of peace, and the end of political violence and the creation of frameworks of coexistence and reconciliation."¹²

One of the participants in the peace process was the Berghof Foundation, which is based in Berlin. Their short piece on the Basque peace process encapsulates the unique, respectful, and effective manner in which they worked.

"The Basque peace process teaches us the value of creativity and endurance in the face of persistent obstacles. It demonstrates that when society demands peace, it can be brought about in a dignified way, even in the absence of a negotiated peace process with state authorities. It also offered an important lesson on inclusivity and participation, by involving all political and social stakeholders in the formulation and implementation of solutions to address the consequences of the conflict."¹³

There is an Alternative to Neoliberal, Cutthroat Capitalism

The American myth says we can have it all, but in Mondragón and the Basque region these ideas seem provincially (or arrogantly) naïve. Why should we even want it all? The countries and communities that value social connection, social services, and an eradication of poverty consistently appear at the top of the happiness index. The Basque region has the highest standard of living and the lowest unemployment rate in Spain, and it also has the largest number of people involved in worker-owned businesses. In addition to the Mondragón Cooperatives, there are at least another 1,000 cooperatives in the region.

Many participants in the Praxis seminar in Mondragón have had their worldviews turned upside down in a most inspiring and hopeful manner. There are alternatives to the inhumanity of Neoliberal capitalism, and we cannot afford to wait another generation or even another decade to learn about and incorporate these alternatives into our governments, businesses, and climate policies.

¹¹ <https://blogs.shu.edu/basqueresearch/about-us/>

¹² <https://berghof-foundation.org/news/lessons-learnt-from-the-basque-peace-process>

Today, the Basque Country is considered the wealthiest area of Spain, but in the 1950s it was the poorest region of that country. Wealthy does not mean that there are mega mansions in the hills above Mondragón or that large gated communities flourish in the seaside town of San Sebastian. It means that the Basque region has the highest GDP per person in Spain and that poverty has been mostly eliminated. You won't find people living in the streets or squalid slums on the outskirts of their cities. Gradations of middle class seems to come closest to describing the way most people live.

Best-selling author, **Kim Stanley Robinson**, highlights the Mondragón Cooperatives in his latest book, *The Ministry for the Future*, as one of the most important models to learn from in changing human relationships, economics, and culture.

The models for sustainable peaceful cultures exist on our planet. Mondragón is one of the most inspirational of these models because it embodies a respectful humility, never assuming they have all the answers or "the solution," but always striving to improve and seek better ways to live and work empathically, respectfully, and in cooperation with others.

Addendum

When people ask how a system like the Mondragón Cooperatives could be replicated in the U.S., there are no clear or easy answers. Looking at the Basque culture makes it obvious that the rampant individualism that is so prevalent in our society is not the driving force in theirs. The people I have met in the Basque Country do not aspire to great wealth. They focus on family, friends, and socializing in the community. I'm sure there are exceptions but chasing millions of dollars in order to buy mansions, yachts, and fancy cars is not a motivating factor in their culture. They understand the concept of "enough," and their self-worth is not tied to the possession of material goods and gadgets.

Yet, in spite of the pressures in a materialistic culture like the U.S., there are many worker-owned cooperatives here too. But they are spread out all over the country and not connected with their own umbrella organization like the Mondragón Cooperatives Corporation. Perhaps if the cooperatives in the Bay Area, for instance, all worked with the same bank or credit union, they might have more

leverage in securing financing for new cooperatives, coop conversions, and/or expansion of existing cooperatives.

One thing is clear in meeting worker-owners in both the Basque region and in the United States. The values and ethics that guide them are the same in both places. The concept of “enough” is alive in both places. The challenge in the U.S., which is a much larger country, is to bring the stories of this inspired way of life to many more people and to aid in the creation of more worker-owned cooperatives in our country. Praxis Peace Institute is hosting free conversations on this model (on zoom) in addition to the week-long seminar that we host in Mondragón, Spain.¹⁴

This is an ongoing conversation, and I hope people who read this paper will join the next Praxis discussion on the business, ethics, and culture of the Mondragón Cooperatives and how this model can be enabled and nurtured in our country.

Georgia Kelly is the founder and director of Praxis Peace Institute, a non-profit peace education organization located in Sonoma, CA. She has led 11 seminar/tours to the Mondragón Cooperatives in Spain and has also organized several multi-day conferences on peace, sustainability, and civic participation that have taken place in the U.S. and Europe.

¹⁴ For Information on the next Praxis seminar/tour in Mondragón, Spain, please visit our website: www.praxispeace.org/Mondragón