

# Why did the Mondragon co-ops degenerate (or not)?

Theorizing the Mondragon cooperative experience  
beyond the 'degeneration thesis'

Henk Willems

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# Preface and Acknowledgments

## Personal motivation

The research findings presented in this monograph cannot be separated from the author's long-standing personal, professional, political, and intellectual experience. A decisive motivation can be traced back to my work on a thesis regarding the applicability of the English tranquility mapping methodology, developed by the radical and critical British geographer dr Duncan Fuller, in a Dutch environmental policy context. While working as an environmental policy advisor at the province of Gelderland in the Netherlands, specializing in noise and light pollution, I was searching for a more experience-centered rather than the conventional expert-centered approach. Fortunately, there was the English project 'tranquility mapping' (2004-6), exploring the complex concept of 'tranquility' using a specific participatory approach and translating the results of the approach into a GIS model. This project, developed by the Centre for Environmental and Spatial Analysis (CESA), applied the 'Participatory Evaluation and Appraisal in Newcastle upon Tyne' (PEANuT), a 'robust methodology for Planning Support' constructed by Duncan Fuller and his collaborators at Northumbria University.

Like in Great Britain, this rather radical innovative approach, grounded in 'community research' or 'action research, focusing on local knowledge, not really proved to be perceived by policymakers in the province of Gelderland as a fruitful instrument to support environmental planning policies regarding 'tranquility'. Frankly, this at most lukewarm reception disillusioned me so much that I decided to quit this research project.

It was Duncan Fuller's extremely helpful role in my research activities in the UK and his inspiring way of critical thinking and acting that instigated my own (re)thinking and reflecting on my personal experience. His sudden death, at the age of 36, on October 3, 2008, shocked me and still makes me feel sad. After this discouraging experience in the context of my professional career, I started a process of critical self-reflection on my own political and professional experience, thereby following Duncan's critical spirit and using my original training as a human geographer. In short, this self-reflection resulted in abandoning my previous affiliation to the Dutch Labor Party, the originally Social Democratic tending FNV labor union, and the formerly 'red' national broadcast network, VARA, institutions combined called 'the red family' in the Netherlands during the so-called '*verzuiling*', that is, socio-religious compartmentalization, up till about the 1960s. In fact, this reflection brought me back to the seventies, when I graduated from Radboud University Nijmegen (then named The Catholic University of Nijmegen), started working as a geography teacher, and at the Geography Institute of the University of Amsterdam, lecturing curriculum development and didactics of geography. I got interested in David Harvey's revolutionizing 'our' geography discipline. In a way, it was radical geographer Duncan Fuller who made me return to my own 'radical', that is, Marxian-inspired youthful

ideas. Crucial for this radical (re)turn happened to be my ever-growing discontent and critique of the hegemony of neoliberal ideas and practices, *nota bene* actively endorsed by people and institutions that would call themselves, long ago, socialist.

Based on this system-critical point of view, looking for a meaningful challenge after being retired from my working life, I searched for a concrete example of a radical, system-critical alternative to the nowadays even globally hegemonic capitalist political-economic system. In this search rather quickly the Mondragon example, widely hailed as a successful alternative 'business model', popped up. In hindsight, I view the 'failed' tranquility mapping project, combined with my personal, political, and professional experiences, before and after that project, as foundational to this Ph.D. thesis on the degeneration (or not) of the Mondragon cooperatives. In this search for a viable and radical alternative 'business model,' some guiding lines of thought and attitudes converge. First, the *critical* approach to the subject. That is, focusing on theory development is concerned with explaining Mondragon's cooperative world in order to change it for the better. Referring to my unfinished thesis on participative tranquility mapping, there is a direct connection between my personal, political, and professional *experience* and this monograph on Mondragon. Second, the elements of *emancipation and empowerment*, important motivations for father Arizmendiarieta, Mondragon's founding father and inspirer, can be linked to my own social, cultural, and political background. For decades I have been actively committed to local and regional governance as well as an active member of the FNV labor union. Presumably, my own Catholic upbringing and some similarities in descent with Mondragon's founding father provided a helpful experiential 'common ground' to grasp the complexities of Mondragon's basic ideas and practices.

### **The storyline**

As just mentioned, the critical approach in this monograph can be traced back to my own political and professional experience. It results in a storyline focused on theorizing and historical contextualizing the 'Mondragon cooperative experience'. In my search for a viable, radical alternative 'business model' to the present hegemonic capitalist corporation I came to identify two closely related main flaws in the vast body of literature regarding the Mondragon co-ops. First, the conventional narratives on the 'success', and 'failure' of this cooperative experience are scarcely theorized and situate this experience only in a narrow and shallow historical context. As if we could explain 'Mondragon' without thoroughly investigating the political-economic relations between the genealogy of this 'business model' and the subnational, national, transnational, and global order. So, in contrast to most of the mainstream literature on Mondragon, my critical approach attempts to correct this flawed approach by developing an elaborated theoretical perspective, underpinning the 'periodization', that is, the historical *reconstruction* (rather than *reproduction*) of the Mondragon cooperative experience. This monograph's storyline starts (Part One) by presenting a synthesis of a number of distinct but compatible and

related theoretical approaches, covering a broad field of topics. Drawing on Carl Ratner's macro cultural psychologist approach, two fields stand out being first the (cultural) political-economical field and second, the cognition-language-discursive field. Following the approach as proposed by scholars from the so-called 'Amsterdam School', the theoretical perspective outlined in Part One precedes the historical reconstruction of the Mondragon cooperative experience (Part Two), thereby adopting Marx's materialist conception of history by studying history 'backward'. In order to understand how Mondragon's past developed into the present the vantage point of its presence will be adopted to view the conditions that gave rise to it.

### **A retrospective view**

This search for grasping some main problems and contradictions fundamentally limiting the alleged radical transformative capacities offered by the Mondragon cooperative 'model' proved to be a demanding challenge. At the same time, looking back on my 'long and winding road' to this monograph, it was, by all means, a worthwhile exercise. Particularly Carl Ratner's 'political philosophy of mind', that is, his macro cultural psychological perspective greatly facilitated my theory-intensive investigation of the Mondragon cooperative experience. Indeed, his Marxian-Vygotskian-inspired approach proved to be demanding in the sense of requiring the appropriation of basic insights and competencies regarding his theory breaking down the traditional isolation of psychology from culture and politics. I perceived Ratner's proposed renewal of psychology as an academic discipline, necessary because of the deep interrelations between the domains of the individual mind, consciousness, and the social domain, simultaneously as fascinating and theoretically challenging. Not being a trained psychologist, let alone a trained critical cultural psychologist like Carl Ratner, I had to explore as a novice a number of social scientific approaches in order to acquire the necessary skills and knowledge to enable my building of the theoretical perspective of this monograph. Admittedly, this endeavor, comparable to climbing a steep mountain, at times appeared to be hard and arduous work. Now, looking back at the process of my search, I feel this hard work was rewarding. Particularly because his broad and deep, critical approach provided a fruitful foundation for my theoretical and historical perspective on the Mondragon cooperative experience. Based on this foundation I could elaborate on such a perspective, underpinning an 'explanatory ideology critique' of that experience. It felt like robustly enabling me to correct some flaws in the mainstream approach to that experience. After all, to me it proved to be a fascinating voyage of discovery, thereby linking seemingly alien and distanced processes or events to personal, nearby, past and present, daily life experiences.

## **Acknowledgments**

Without professor Huib Ernste's enthusiastic and generous acceptance of my first, tentative research proposal, in spring 2015, this Ph.D. thesis would not have been written. His immediate offer to supervise my research on the Mondragon cooperatives demarcated the fortunate as well as stimulating starting point of my ultimately long and winding road to this dissertation. At first alone, later on, accompanied by dr Olivier Kramsch as co-supervisor, professor Ernste managed to keep me on track, striking a balance between on the one hand letting me free to find my way in this journey, and on the other hand, gently steering me off pitfalls on that winding road. I am very grateful to both my supervisors for their outstanding assistance and supervision. Although being an external Ph.D. student at Radboud University, they made me feel 'back home', after so many years, at the 'geographers' club' of my alma mater in Nijmegen.

I would like to express my gratitude to all the academics who participated in the mini-symposium held in Spring 2017 at Radboud University in Nijmegen. Notably, our foreign guests, from Spain, Aitziber Mugarra (Deusto University Bilbao), Ignacio Bretos (University of Zaragoza), Anjel Errasti (University of the Basque Country), from the US, Carl Ratner (Institute for Cultural Research and Education, California, USA), from GB, Michael Farrelly (University of Hull), contributed decisively to this thesis on the Mondragon cooperative experience. Particularly the intellectually inspiring key role of dr Carl Ratner should be mentioned here. After all, he coined the metaphor of the 'original sin' thesis.

During my visits to the Basque (home) country of the Mondragon co-ops, I experienced a sphere of warm hospitality, encouragement, and cooperation from people like Saioa Arando, Immanol Basterretxea, Arantza de la Torre Bustamante, Anjel Errasti, Fred Freundlich, Iñaki Heras, Aitziber Mugarra. I am grateful for their sympathy and willingness to share with me some of their vast expertise regarding the Mondragon cooperatives.

My gratitude goes to my partner Riky for her patience with me during my seemingly endless donkey work in my 'man's cave', almost burying myself under ever-growing piles of books. Fortunately, she knew how much this donkey work meant to me.

My two sons, Rob and Bram, and their partners, Marie-Louise and Jacobien, always supported me wholeheartedly, thereby helping me to hold on to this challenge. Many thanks for this support.

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I dedicate this piece of work of their loving grandpa to my dear grandchildren, Lou, Emmy, Ottie, and Oscar.

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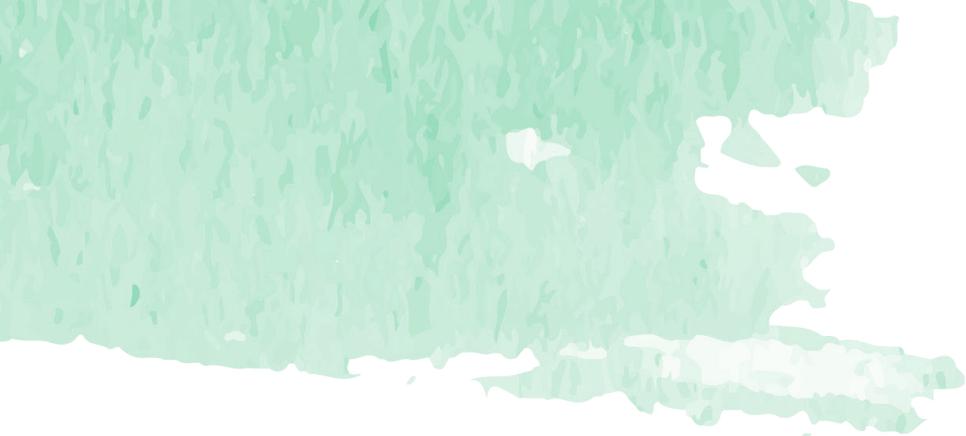
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# Part One

- The Theoretical Perspective







# Introduction



## Introduction

### 1.1 Mondragon coops and the so called 'degeneration thesis'

#### A long-standing debate

According to Chris Cornforth (1995)<sup>1</sup>, the received wisdom on the possibility of worker cooperatives being able to maintain democratic forms of management has been especially pessimistic. He refers to authors like Potter (1891)<sup>2</sup>; Webb and Webb, 1914<sup>3</sup>, 1921<sup>4</sup>, Shirom, 1972<sup>5</sup>; Meister, 1974<sup>6</sup>, 1984<sup>7</sup>; Mandel, 1975<sup>8</sup>). The list of authors Cornforth mentions could easily be expanded: there is a vast body of literature, especially if one looks at the connected 'bureaucracy-literature' and the scholarly work on labor (industrial) relations or organization studies. Anyway, the debate on the 'degeneration' of worker cooperatives is long-standing, originating in the 19th century, and ongoing.

This 'pessimistic received wisdom' has become known as 'the degeneration thesis'.

"Essentially the degeneration thesis states that worker cooperatives will have to adopt the same organizational forms and priorities as capitalist businesses in order to survive. As a result, it is argued that cooperatives will gradually become dominated by a managerial elite who will effectively take decisions in the cooperative and so undermine democracy and the influence that other workers can exert. Since the mid-1970s various authors have challenged the degeneration thesis both on theoretical grounds, (e.g., Tomlinson,

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- 1 Cornforth, C., (1995), "Patterns of Cooperative Management: Beyond the Degeneration Thesis", in: *Economic and Industrial Democracy* (SAGE, London, Thousand Oaks and New Delhi), Vol. 16, 487-523.
  - 2 Potter, B., (1891) *The Co-operative Movement in Great Britain*. London: Swann Sonnenschein.
  - 3 Webb, S. and B. Webb (1914) 'Co-operative Production and Profit Sharing', *New Statesman* (Special Supplement)
  - 4 Webb, S. and B. Webb (1921) *Consumers' Co-operative Movement*. Published by the Authors.
  - 5 Shirom, A. (1972) 'The Industrial Relations System of Industrial Co-operatives in the United States: 1890-1985', *Labour History* Fall: 533-51.
  - 6 Meister, A. (1974) *La Participation dans les associations*. Paris: Editions Ouvrières.
  - 7 Meister, A. (1984) *Participation, Associations, Development and Change*. New Brunswick, NJ: Transaction Books.
  - 8 Mandel, E. (1975) 'Self-management Dangers and Possibilities', *International* 2/3: 3-9.

1981<sup>9</sup>; Stryan, 1987<sup>10</sup>) and based on empirical studies (e.g., Jones, 1975<sup>11</sup>; Rothschild-Whitt, 1976<sup>12</sup>; Batstone, 1983<sup>13</sup>; Cornforth et al., 1988<sup>14</sup>; Hunt, 1992<sup>15</sup>).

## 1.2 A call to theorize the ‘degeneration’ of the Mondragon cooperatives

This monograph on ‘the Mondragon experience’ was triggered by the call of the Basque Spanish researcher Anjel Errasti “to place the current transformation of Mondragon cooperatives more firmly within the theoretical framework known as the ‘degeneration thesis’, which recognizes the dynamic tensions that cooperatives experience in the capitalist system within which they operate”.<sup>16</sup> (Errasti 2015: 495).

Errasti grounds this call for such a *theoretical* framework in the *empirical* findings of his study of Mondragon’s Chinese subsidiaries.

During the last decades, the Mondragon cooperatives, to guarantee their survival, have shown an extraordinary dynamism in investing in foreign business projects. *But when cooperatives engage in foreign direct investment, a plethora of dilemmas, paradoxes and contradictions ensue. Applying cooperative principles in the multinational company setting presents special difficulties.*

Errasti’s research on Chinese subsidiaries of Mondragon suggests a ‘*clear disconnect between the organization’s discourse regarding the encouragement of worker participation in subsidiaries and the practices we observed in the Kunshan Industrial Park. Substantial inconsistencies exist between the rhetoric of the Mondragon cooperatives – reflected in their corporate logo, mission statement and principles – and the cooperatives’*

- 9 Tomlinson, J. (1981) ‘British Politics and Co-operatives’, *Capital and Class* 12: 58-65.
- 10 Stryan, Y. (1987) ‘Impossible Organizations: On Self-Management and Organizational Reproduction’, Ph.D. thesis, Department of Sociology, University of Uppsala, Sweden.
- 11 Jones, D.C. (1975) ‘British Producer Co-operatives and the Views of the Webbs on Participation and their Ability to Survive’, *Annals of Public and Co-operative Economy* 46(1): 24-44.
- 12 Rothschild-Whitt, J. (1976) ‘Conditions Facilitating Participatory Democratic Organization’, *Sociological Inquiry* 46: 75-86.
- 13 Batstone, E. (1983) ‘Organization and Orientation: A Life-Cycle Model of French Co-operatives’, *Economic and Industrial Democracy* 4(2): 139-61.
- 14 Cornforth, C., A. Thomas, J. Lewis and R. Spear (1988) *Developing Successful Worker Co-operatives*. London: Sage.
- 15 Hunt, G. (1992) ‘Division of Labour, Life Cycle and Democracy in Worker Co-operatives’, *Economic and Industrial Democracy* 13(1): 19-43.
- 16 Errasti, A., “Mondragon’s Chinese subsidiaries: Coopitalist multinationals in practice”, in: *Economic and Industrial Democracy* 2015, Vol. 36(3) 479-499.

*policies regarding the social aspects of international expansion.'* (p. 495, underscored HW).

*'So far the multinational expansion of the Mondragon cooperatives has not, then, served to expand economic democracy in the world, nor has it contributed much to improving labour relations in developing economies.'* (p. 495, 496).

In a recently published article<sup>17</sup> Ignacio Bretos Fernández and Anjel Errasti Amozarrain, reported about their case study on Fagor Ederlan, to address the 'regeneration dynamics' in Mondragon's multinational-cooperatives: the reproduction of the co-operative model at capitalist subsidiaries. The authors write that it can be observed that many small and medium-sized enterprises have been forced to adopt global strategies in order to be competitive. This globalized scenario has accentuated *the degenerative tensions* (my emphasis) that cooperatives have always had to face in their efforts to uphold their traditional principles and values as they grow in a capitalist setting. In this vein, as several authors note, *currently a key line of research is to investigate how multinational cooperatives can replicate their policies and practices in their capitalist subsidiaries* (my emphasis). According to the authors, Mondragon Cooperative Congress (2003) approved a strategy of expansion based on the dissemination of cooperative values at subsidiaries by means of mechanisms for participation like those in place at the core cooperatives. In recent years some cooperatives have adopted a discourse based on the need for democratic regeneration at their organizations and on fostering the participation of the workers employed by their capitalist subsidiaries. *However, to date few such initiatives have been implemented and results have been limited, especially among foreign subsidiaries. Strangely, the specialized literature has paid little attention to this issue* (2016, p. 7). The article of Bretos and Errasti aims to fill that gap. To this end, they conducted a case study of Fagor Ederlan. In the historical Part Two of my monograph, I will return to this work of the two Spanish researchers.

### **1.3 Why did the Mondragon co-ops degenerate (or not)? Theorizing the Mondragon cooperative experience beyond the 'degeneration thesis'**

This monograph presents a theoretical critique of the so-called 'degeneration thesis' applied to the concrete 'case' of the Mondragon cooperative 'model' based on the thoughts and practices of its founder, the Basque-Spanish catholic priest José Maria Arizmendiarieta. In order to gain valuable input regarding the concretizing of basic research questions which could be used to guide my critical theoretical work on the 'Mondragon case' a mini symposium called 'Mondragon and the degeneration thesis'

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17 Bretos, I. & Errasti, A. (2016): "Dinámicas de regeneración en las cooperativas multinacionales de Mondragón: la reproducción del modelo cooperativo en las filiales capitalistas", CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, 86, 5-34.

was organized at Radboud University, March 31, 2017. In fact, this one-day academic workshop proved to be an important step ultimately resulting in this monograph. Put in simple terms, this dissertation presents my philosophical-theoretical elaboration of the debate between notably the proposals of Carl Ratner and myself regarding the so-called ‘original sin thesis’ and the ‘de/regeneration thesis’ as presented by Ignacio Bretos and Anjel Errasti. I claim to provide a novel, critical theoretical ‘lens’ to evaluate the genealogy of the Mondragon cooperative ‘experiment’. My macro cultural psychological/cultural political economical approach opens research avenues to go beyond the more or less ‘ritualized’ patterns in the ongoing debate on the ‘degeneration’ of the Mondragon cooperatives. My approach attempts to broaden and deepen the theoretical scope by valuing a sort of theoretical ‘multilingual’ procedure, thereby not shunning the synthesis of different approaches.

#### **1.4 Debating competing explanatory frameworks: Mini symposium ‘Mondragon and the degeneration thesis’ at Radboud University Nijmegen, March 31, 2017**

This call to theorize the ‘degeneration thesis’, combined with the research of Errasti and Bretos on the ‘degeneration and regeneration’ of the Mondragon cooperatives, inspired me to plan and organize a one-day ‘mini symposium’ titled “Mondragon and the degeneration thesis”. Working on a PhD thesis as an external doctoral candidate since about end 2015, when the scientific advisory committee of the Institute for Management Research (Radboud University Nijmegen) approved the research proposal “*Practice and discourse of economic democracy: A critical discourse analysis case study ‘Mondragon cooperative corporations’*”, I suggested to my supervisors, professors Huib Ernste and Olivier Kramsch such a discussion could give a boost to my research on the Mondragon coops. More specifically, this exchange of ideas and approaches to the topic ‘Mondragon and the degeneration thesis’ could sharpen the main research question(s), conceptual framework and methodology of my dissertation. Fortunately they shared my view on organizing such an event and enthusiastically facilitated and eventually moderated the mini symposium. Gratefully making the most of this opportunity we invited a number (nine) of academics, all researchers with relevant expert-knowledge that could contribute to sharpening my key research questions and ways to approach my object of research. Apart from the invaluable contribution made by researchers from Radboud University, I felt honored and above all stimulated by the participation of the Basque Spanish researchers *Aitziber Mugarra* from Deusto University in Bilbao, *Anjel Errasti* from the University of the Basque Country at Donostia/San Sebastian, *Ignacio Bretos* from the University of Zaragoza, *Carl Ratner* from California, a macro cultural psychologist with deep theoretical and practical knowledge of cooperation and the philosophy and practices of coops, *Michael Farrelly* from the University of Hull, England, a cultural political economist with a background in critical discourse analysis.

### 1.4.1 Competing explanations of present problems facing the Mondragon co-ops. The de(re)generation thesis versus the original sin thesis

The discussions during the symposium focused on the four presentations by respectively Anjel Errasti (the internationalization strategy of Mondragon coops), Ignacio Bretos (the degeneration and regeneration thesis), Carl Ratner (the 'original sin thesis'), and me (three propositions on the degeneration thesis versus the original sin thesis).

In order to clarify the main features of the alternative approaches of Errasti and Bretos on the one hand, and Ratner and Willems on the other, the former presenting the 'de/regeneration thesis', the latter the 'original sin thesis', I would like to quote, drawing on the minutes of the mini symposium, the presentations by these participants in the meeting.

"In his powerpoint presentation **Henk Willems** explains the day's program, thereby focusing on his three propositions:

1. The degeneration thesis is an important, but incomplete explanatory model (for coop problems facing Mondragon);
2. There is an alternative explanatory model of coop problems: the 'original sin thesis';
3. Mondragon cooperators have to alter their own concepts and practices of cooperation.

*Proposition I:* Clarifying the first proposition, Henk points at four elements of it:

- The term 'degeneration' refers to a process of worsening from a good, genuine, or ideal state to a debilitating, destructive condition
- The degeneration thesis uses a 'Garden of Eden' metaphor
- Cooperators work avidly to practice genuine cooperation, but anti-cooperative forces in society undermine these good beliefs and intentions
- For instance, Mondragon cooperative enterprises, like 'Fagor', have been forced to adopt global strategies to be competitive.

*Proposition II:*

- The cooperative praxis of Mondragon is corrupted at the outset, in its formation by Arizmendiarieta

- The Mondragon founders have utilized a political philosophy to form their ideas and practices about cooperation
- This philosophy proved to be an inadequate basis to a political, social, and economic sustainable cooperative praxis.

*Proposition III:*

- Mondragon cooperators cannot simply try to assert their original, ideal, cooperative praxis and avoid external, cultural corruption of it
- Mondragon cooperators have to alter their own concepts and practices of cooperation
- They must change their own consciousness (in the words of Paolo Freire: their conscientization).<sup>18</sup>

Quotes from the symposium's minutes, p. 6-8:

“Presentation **Carl Ratner**.

In his presentation Carl did not focus on Mondragon co-ops, but on the cooperative movement as a whole. When talking with Henk Willems about his dissertation on Mondragon's transnational strategy placed in the framework of the so-called degeneration thesis, I thought it would be useful to review some of the terminology and to show how this term 'degeneration' relates to my understanding of the cooperative movement. Carl points at a recently published book on this subject (*The politics of cooperation and co-ops* HW). The term 'degeneration' refers to a process of worsening from a good, genuine, or ideal state to a debilitating, destructive one. If we look at the essential principles and intentions of the cooperative movement, they are considered to be good, but then there are these external corruptions and barriers that interfere with this basic 'goodness'. In contrast to the degeneration thesis, Carl introduces his 'Garden of Eden' of 'original sin' thesis. In his view this metaphor of the Garden of Eden reflects the essence of the degeneration thesis. The basic framework, the initial set of principles, concepts and values of the cooperative movement are 'good' and lead to genuine cooperation. These original and internal cooperative principles, concepts and values are good, but are corrupted by external, secondary forces in society. This is what the two previous speakers referred to in their presentations (of degeneration and regeneration). The solution to this 'degeneration' is to go back to the original concepts and

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<sup>18</sup> This concept will be elucidated below

to the cooperative principles that would lead to a genuine cooperation. That is, according to Carl Ratner, what the 'regeneration thesis' basically is about, to somehow get around of this external barrier and go back to the original good concepts. And those concepts will guide us to good co-ops and cooperation, which is the ultimate goal. But in his research on co-ops, Carl developed an additional idea on the problems co-ops (like e.g., Mondragon) face. He certainly accepts and respects the degeneration (and regeneration) thesis, as being insightful, but he thinks they are incomplete. The problems facing co-ops are deeper, there are problems in the basic concepts of the cooperative movement and in the whole political philosophy of it. He calls this '*the original sin thesis*'. There is a fundamental problem with the cooperative principles themselves. And because these principles are flawed, you cannot simply go back to them and try to avoid external interferences.

To clarify what this 'original sin' thesis exactly means, Carl wants to relate this to his macro cultural psychological theoretical framework. The idea of macro cultural psychology is, that human beings are cultural creatures. We are born into culture, our humanity depends on the culture we live in. The culture is, from the beginning, within us. It is nothing from outside. In analyzing the problems of co-ops, he uses the general concepts of his macro cultural psychology. These problems are within co-ops from the beginning, because they grew up within the capitalist culture, and the people who formulated the cooperative principles were not sufficiently aware of the capitalist influence and character of their own principles. These are problems in their own principles, it is not only about external problems we have to talk about. This relates to macro cultural psychology in the same way. As we grow up, the problems we face are already inside us, because have been socialized into the culture. We carried around, internalized our own 'oppression', so to speak.

In his book '*The politics of cooperation and co-ops*'<sup>19</sup> Carl argues that contemporary cooperators have adopted basically a 'populist philosophy' that encourages people to construct whatever life they want and free them from external authority or constraints they don't choose. They have to be able to choose the kind of lifestyle they want. The basic idea is to sit together and democratically decide whatever social and/or economic life(style) they want to realize. The emphasis is on democracy. The idea is that people inherently know what they want and what's good for them, they just have to discuss this, interact and then they will be able to produce it. But it seems to him that this is flawed. In Ratner's view this is flawed because these cooperators have no clear discussion on what cooperation is. Cooperation is confused with self-expression and democracy. There is an emphasis on 'democracy without content'. He illustrates this with the three first co-op principles of the International Cooperative Association (ICA):

1. Voluntary and Open Membership

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<sup>19</sup> Ratner, Carl, 2016, *The Politics of Cooperation and Co-ops, Forms of Cooperation and Co-ops, and the Politics That Shape Them*, New York: Nova Publishers.

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. According to Carl Ratner this co-operative principle shows that it has no direction, no content (just everybody can join, and that's it). It's part of this 'democracy without real content'.

## 2. Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Here we see the same thing: democracy without content. Democracy is viewed as the 'holy Grail' for a cooperative society, but according to Carl this is not necessarily the case. In this vision the concept of 'democracy' is limited to a decision-making process. In Ratner's view this is a flawed interpretation of the democracy concept.

## 3. Members allocate surpluses of the co-op

Members allocate surpluses for any or all the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

This principle doesn't tell you what to do, you can choose any purpose you want. There is no guidance. For instance, if you look at the setting up of reserves, this can vary widely between completely indivisible and almost completely dispersed, which is not cooperative but purely individualistic. There is nothing collective about this. Again, this principle illustrates a concept of democracy without content.

If you look at these co-operative principles, there is nothing in it that directs you to be cooperative. The only direction in it is to be democratic. But to be democratic is not the same as to be cooperative. According to Carl Ratner that is a fundamental flaw in the ICA principles: these lack a clear definition of cooperation."

### Presentation **Anjel Errasti**.

Being a genuine Basque, born and raised in the Mondragon 'heartland', Anjel starts his presentation with a few words in his native, Basque language. He was trained as an economist at the Mondragon University. He will focus this brief introduction on Mondragon and the internationalization process and strategy. Using a map of the Mondragon region, he presents a geographical picture of the Mondragon heartland, part of the (Spanish) Basque country, where that whole experience started and developed. During the years he grew up in this region, the 60s and 70s, two movements co-existed, the already then

successful and growing Mondragon co-ops, and the ETA (Euskadi ta Askatasuna, Basque Homeland and Freedom). There were many discussions in the Basque Country about the future of this region, about the political-economic system and the independence of the Basque Country. Which is the best way for the cultural and economic development for this country? The socialist, revolutionary way of ETA or the cooperative way of Mondragon? After Spain entered the European Union in the 80s and 90s, Mondragon started a growth process, the motto was: to grow or to die. The philosophy of Mondragon contrasted with the 'small is beautiful' philosophy. He presents a rough sketch of the development of Mondragon co-ops from the time of entering the EU up till now. The success of Mondragon was its building a network of large, multi-plant cooperatives, working in diverse sectors (finance, distribution, industry, research). These firms were based on the Mondragon cooperative philosophy of workers' ownership, participation, less hierarchy, less wage difference between managers and workers, a strong commitment to the community and a strong solidarity between the cooperatives. In this philosophy labor was sovereign over capital. In that sense you could say 'Mondragon was more communist than the communist themselves'. The Mondragon co-ops developed from small national/regional corporations to large national ones and after that they became a 'small multinational'. This was a big change, leading to different, difficult questions. There are co-ops in the 'headquarters' and you have a number of capitalist subsidiaries in different parts of the world (China, Mexico, and so on). Since the model of multinationals is 'antagonistic' to the genuine cooperative model of Mondragon, with its strong commitment to (economic) democracy, this process of globalization leads to the question: is it possible for co-ops to become small multinationals while staying within the cooperative principles? Another question: can a multinational be democratized? Or more specifically focused on Mondragon: can the foreign (capitalist) subsidiaries be 'cooperativized'? These questions will be addressed by Ignacio Bretos in his presentation on the degeneration and regeneration thesis applied to the Mondragon case.

### Presentation **Ignacio Bretos**.

His research is focused on about 25 industrial global co-ops of the Mondragon group, seen from an organizational viewpoint. In a nutshell, the so called 'degeneration thesis' states that globalized, multinational co-ops are inevitable destined to degenerate into capitalist forms of organizations.

- Constitutional degeneration: co-ops adopt capitalist formulas and create non-cooperative employment
- Goal degeneration: co-ops focus on profit-seeking and other conventional business goals

- Organizational degeneration: co-ops come to be controlled by an elite, and participation is diminished.

But from his point of view, it is necessary to engage in the ‘regeneration thesis’ that suggests degeneration may be a temporary stage followed by regeneration processes capable of restoring the cooperative nature of these organizations.

Some industrial co-ops have carried out an extensive growth strategy since the 1990s. Internationalization and global competition have triggered important degenerative tensions:

- The establishment of capitalist subsidiaries and the resulting creation of non-cooperative employment
- The accumulation of decision-making power on the part of worker-members of the parent-cooperative (in the Basque Country)
- The prevalence of a weak democratic culture through dominant managerial programs such as TQM (Time Quality Management)
- The appointment of professionals and managers more committed to economic efficiency.

According to Ignacio this is not the whole story. There are co-ops developing strategies oriented to resist, or to manage degeneration processes. He mentions some of the most remarkable:

- Promotion of workers’ involvement in decision-making (e.g. participation of workers in the elaboration of strategy plans, small group meetings before the General Assembly, etc.)
- Enhancement of workers’ participation at the shop-floor level (labor-management meetings, self-managed teams)
- Strengthening of training and education in cooperative values, leadership, and participatory skills.

In his study he finds a strategy you might call “the cooperativization” of capitalist subsidiaries, first at *domestic subsidiaries*: some of these turn into workers’ co-ops, and in other cases the employees become worker-members of the parent co-op.

Key elements in the success of regeneration initiatives are:

## Chapter 1

- Information and communication: workers are informed about the implications of the “cooperativization”, the characteristics of the cooperative model, and their new working conditions
- Education and training in cooperative values for the new worker-members and managers
- Involvement of different stakeholders in the “cooperativization” process.

Second, there are the cooperativization initiatives at *foreign subsidiaries*:

According to Ignacio, the “cooperativization” of the foreign subsidiaries is more complex and problematic due to external and internal barriers.

The main external barriers are:

- Subsidiaries must be economically viable in the long run before implementing a cooperativization initiative
- The lack of a cooperative legislation like that of the Basque Country in the subsidiary’s country (e.g., China)
- The lack of cooperative culture among the workers in foreign subsidiaries

Internal barriers:

- The non-existent relationship between worker-members at the parent co-op and workers at foreign subsidiaries
- Managers and worker-members of the parent co-op consider that the cooperativization of foreign subsidiaries may be detrimental for their control over the whole business group
- Perception in the parent co-op that workers at foreign subsidiaries will not develop a strong commitment to the company and the cooperative values.

Conclusions

- The degeneration thesis is *useful* to understand some of the challenges that cooperatives face to survive in the context of globalization, but it is *incomplete*.

- Its deterministic nature does not capture the complexity of the cooperative lifecycle. Co-ops can undergo deterioration processes in which democracy declines, and regeneration periods that breathe life back into cooperative ideals.
- Future research could work on elaborating the ‘regeneration thesis’ at the methodological and theoretical levels.

#### **1.4.2 The main outcomes of the mini-symposium linked to this monograph**

Now, about five years on, we can conclude that this discussion at Radboud University, March 31, 2017, formed a decisive restart of my PhD research on Mondragon coops. The lively exchange of academic views resulted in a more focused approach regarding the primordial research question and the guiding conceptual framework of my monograph. In brief terms, the basic research question would be ‘*why did the Mondragon co-ops degenerate (or not)?*’ and I would take Carl Ratner’s ‘original sin thesis’, based on his macro cultural psychological approach as starting point for my investigation. Put otherwise, the discussion enabled me to focus my research on theorizing the so called ‘Mondragon cooperative experience’ *beyond* the ‘degeneration thesis’ thesis’ as an explanatory model for the dilemmas, paradoxes and contradictions facing the Mondragon ‘coopitalist’ (Errasti) co-ops. Following this research procedure, I seek to contribute to the long-standing debate on the ‘degeneration’ of cooperatives in a capitalist world order by providing a novel theoretical and historical perspective on the ‘Mondragon cooperative experience’. In contrast to mainstream approaches, conventionally focusing on the ‘how’ and ‘what’ questions and following a chronological method of historical research, my investigation focuses on the ‘why’ question and applies a theoretically informed periodization.

It took me quite some time to elaborate on this novel theoretical and historical approach, constructing an analytical edifice consisting of basic insights and conceptual elements of several distinct but affiliated theories and attempting to put to work this synthesis on this particular case of the Mondragon cooperative experience. My search for a convincing answer to the basic question: *why did the Mondragon co-ops degenerate (or not)?* proved to be ‘a long and winding road’ not least because of my deficiencies in several academic terrains I had to explore as a novice. Thanks to the fascinating research object (the Mondragon cooperative experience), the invaluable inspiration by a range of intellectual giants and above all the crucial encouragement of my supervisors Huib Ernste and Olivier Kramersch I could make up the leeway and finally complete this dissertation.

## 1.5 Main thesis of this monograph: original flaws rather than degeneration

The 'Mondragon experience', judged by the self-acclaimed main, ultimate objectives of its founding father and inspirer, catholic priest don José María Arizmendiarieta, has to be assessed as a failed social experiment. Mondragon's founder considered 'his' model of cooperativism as provoking 'a Copernican revolution' within the economic domain, presenting a '*radical alternative to the existing capitalist system*'<sup>20</sup>. This form of cooperativism aimed at a new social order for a new 'person'. In his own words, his cooperative movement was based on two 'constant lines': *solidarity and democracy*.<sup>21</sup> I argue that these high-flown ultimate objectives were unfeasible, right from the start. The theoretically informed historiography of the 'Mondragon experience' will show that both key elements of that experience, solidarity and democracy, proved to be deeply problematic, in theory as well as practice, *from the outset* to the present days. In other words, rather than a 'degeneration process' we can identify Mondragon's 'original sin', being a religious inspired metaphor of its original, fundamental and persisting flaws. Two decisive, interlocked explanatory factors for this failed social experiment.

First, the foundational conceptual framework which I would call the 'cooperative ideology' and second, the collaborative strategy of Mondragon's founder(s) and their successors. My argument is that the basic philosophy as well as the employed strategy are fundamentally flawed, from the start up to the present days. These two key tenets of the Mondragon experience proved to be insurmountable impediments to ever reaching the ultimate objectives of this experiment. They could not to be expected to have any substantial, let alone radical, transformative potential for the established capitalist political economic and social order. On the contrary, Mondragon's foundational ideology and strategy proved to be firmly embedded in the Francoist social and political order – coinciding with Arizmendiarieta's working life in Mondragon- as well as in the subsequent order of neoliberalized capitalism. For instance, Father Arizmendiarieta never fundamentally challenged key tenets of the '*Fuero del Trabajo 1938*', one of

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20 Azurmendi, J., 1984. *El Hombre Cooperativo. Pensamientos de Arizmendiarieta*. Otalora: Caja Laboral. P. 752.

21 Arizmendiarieta, José María, 'Actualidad del movimiento cooperativo, una fórmula y una realidad.' (no date), in: *Biblioteca openkoop, documentary collections Arizmendiarieta Archive, fonds: Arizmendiarieta, serie: Conferencias y ponencias, 00-sin serie, section: documentos, descriptors: opinión, movimiento cooperativista, box: 95, password: 19070, signature place: 95.40.103.*

the basic ‘social regulations’ in force during the whole Franco-era (1938-1977)<sup>22</sup>. This compatibility constitutes one of the uneasy commonalities between the fascist-inspired labor regulations of the Franco regime and the catholic social doctrine as outlined in ‘*Quadragesimo Anno*’, being a foundational element of Arizmendiarieta’s cooperative philosophy. In contrast to the mainstream account of Mondragon’s genealogy this monograph will analyze in quite some detail these commonalities to answer the emphatic question: how on earth could ‘Mondragon’ survive the Franco regime?<sup>23</sup> In other words, I argue that rather than ‘degenerating’ since notably the start of its ‘transnationalization process’<sup>24</sup>, the fundamental problems, contradictions and tensions of the Mondragon co-ops already existed at the outset. With an ironic reference<sup>25</sup> to the Catholic background of Arizmendiarieta I propose to use the metaphor of ‘the original sin thesis’ instead of the ‘degeneration thesis’. I gratefully borrowed this metaphor from the American cultural psychologist Carl Ratner, whose Marxian-Vygotskian approach to psychology and culture, termed ‘macro cultural psychology’, inspired me to take this ‘*political philosophy of mind*’, combined with his ‘*social theory for cooperativism*’, as foundational to my research on ‘the Mondragon experience’. In this monograph his philosophical – theoretical – methodological approach will be refined, extended, and fine-tuned to apply to the ‘case’ of ‘Mondragon’. This process of extension and refinement concretely means drawing on a number of theoretical approaches enabling to theorize more in detail the most important elements in Ratner’s macro cultural psychological approach, being *political economy* (dominating culture as a dialectical system) and *cognition and language* (dominating psychology as a dialectical system).<sup>26</sup> Using this methodology of ‘triangulation’ not only enables me to build a synergy of distinct but intimately related, fully compatible theories to underpin the explanatory critique this monograph presents of the ‘Mondragon experience’, but also serves as an enforcement of its consistency and

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22 The German historians Bernecker and Pietschmann (in their volume ‘*Geschichte Spaniens*’, 2. Auflage, 1997) call the ‘*Fuero del Trabajo*’ ‘das noch während des Bürgerkrieges erlassen “Grundgesetz der Arbeit”, the ideological-programmatic most important text regarding the labor regulations, codifying private property, the right to work, protecting the family being ‘die natürliche Urzelle und Grundlage der Gesellschaft’. It remained till 1967 the official guideline to all labor regulations in Spain.

23 Question from Olivier Kramsch in the mini symposium on ‘Mondragon and the degeneration thesis’, Radboud University Nijmegen, 31 March 2017.

24 This strategy coincided with Spain’s entry into the European Common Market (the Accession Treaty was signed in June 1985, full participation of Spain in the European Customs Union would coincide with the completion of the Single Market on 1 January 1993).

25 This ironic reference should not be confused with the Weberian approach to the relation between religion and capitalism.

26 Ratner, C., 2012, *Macro Cultural Psychology, A Political Philosophy of Mind*, New York: Oxford University Press, p. 57-8.

validity.<sup>27</sup> Following Vygotsky and Ratner in this methodological topic, I would emphasize not to confuse ‘triangulation’ with ‘eclecticism’. As Ratner<sup>28</sup> writes: “Vygotsky had no tolerance for eclecticism. He criticized it for being unsystematic. He criticized attempts at synthesizing behaviorism and Freudianism, and psychoanalysis with Marxism.<sup>29</sup> In such eclectic syntheses, “one often must close one’s eyes to the contradictory facts, pay no attention to vast areas and main principles, and introduce monstrous distortions in both of the systems to be merged” (Vygotsky, *The collected works of Vygotsky*, 1997: 261).

## 1.6 Structure of this thesis

### *Periodization versus chronology*

Adopting one of the distinctive features of the ‘Amsterdam School in global political economy’ as identified by Bob Jessop<sup>30</sup>, the structure of this thesis is determined by one of these features being ‘periodization’. As Jessop writes: ‘A key aspect of the dialectic of structure and agency concerns the conditions in which social forces can make a difference. This puts periodization firmly on the AS agenda. However, there is no master periodization that holds for all cases. Rather, as Otto Holman remarks: *Theoretical and empirical analysis must precede periodization. Moreover, periodization is a way of ordering the past from the viewpoint of the present, reflecting our present knowledge of the past, helping to understand our present situation without offering us more than a tendential insight into future developments.* (1993: 137).<sup>31</sup>

### *Theory and history, theory as history*

So, drawing on this methodology of ‘periodization’, thereby following Gramsci’s ‘absolute historicism’<sup>32</sup>, offering an approach to the history of ideas regarding the Mondragon cooperative experience useful to the present by locating these ideas both in and beyond

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27 See for the importance of ‘triangulation’, specifically regarding the wide range of critical discourse studies, the volume “*Methods of Critical Discourse Analysis*” (2001), edited by Ruth Wodak and Michael Meyer, and “*Kritische Discours-Analyse*”, *De macht en kracht van taal en tekst*, 2012, edited by Nicolina Montesano Montessori, Hans Schuman & Rob de Lange.

28 Ratner, C., 2012, *Macro Cultural Psychology. A political philosophy of mind*. Oxford University Press, p. 29.

29 See Jan Rehmann in his book “*Theories of Ideology*”, p. 256, in referring to the PIT’s ‘translating and reconstructing psychoanalytical concepts in the framework of a historical-materialist theory’.

30 Jessop, B., 2019. *Putting the Amsterdam School in its place*. In: *Transnational Capital and Class Fractions. The Amsterdam School Perspective Reconsidered*. Edited by Bob Jessop and Henk Overbeek, Routledge 2019.

31 *Ibid.*, p. 279.

32 Morton, A.D., 2007. *Unravelling Gramsci. Hegemony and passive revolution in the global economy*. London and Ann Arbor, MI: Pluto Press.

their context, the monograph is divided in two parts, first the theoretical, second the historical perspective. The distinction between both perspectives should be viewed as a purely analytical one referring to the relational and dialectical approach of this thesis. In accordance with Otto Holman's presentation of his PhD thesis on Spain's integration into Europe<sup>33</sup>, I will start, in Part One, presenting the constituting elements of the theoretical perspective. These are, first, Carl Ratner's macro cultural psychology, combined with his theorizing of 'cooperativism' from his 'political philosophy of mind' perspective. Second, rethinking Mondragon's concept of business, adopting the foundations of Ronald Hartz's dialectical theory of labor organizations<sup>34</sup>, third, theorizing the State as a crucial macro cultural factor, drawing on a strategic, relational, and ideational approach, most prominently developed by Bob Jessop. Fourth, introducing an ideology-critical approach to the 'Mondragon experience', particularly drawing on the critical ideology theoretical works of Jan Rehmann. His conceptualizing 'ideology', combined with Marie-Dominique Chenu's critical appraisal of the Catholic Church's social doctrine as 'ideology'<sup>35</sup>, will be adopted to my analysis of Mondragon's cooperative 'ideology' in Part Two. Fifth, the Gramscian inspired, historical materialist theorizing of notably Spain's transition to modernity and integration in the EC. This approach offers a useful heuristic device to assess in terms of Hartz's dialectical theory the relations between the 'meso level' of Mondragon's cooperative labor organizations and the 'macro level' of the Spanish 'totality of social praxis', in simple terms, the position of the co-ops in Spanish society. Sixth, methodological considerations on periodization versus chronology will be presented. Periodization as historical research will be elucidated, as well as studying history 'backward' as a Marxian inspired way of historical research. Finally, Part One will be concluded by summarizing the theoretical perspective.

Part Two, outlining the historical perspective of this thesis, starts with outlining in brief terms the distinct procedure of historical research called 'periodization' and adopting the vantage point of the present to grasp the conditions that gave rise to the present situation.

Following this research procedure, the historical perspective first addresses the *present* challenges to the Mondragon 'coopitalist' multinationals in practice. Subsequently proceeding from the present onward to *the original historical conditions*, several empirically centered research findings will be scrutinized from the theoretical, critical perspective adopted in this monograph. The topics addressed in these research projects are ranging from, for instance, Mondragon's life under a 'grow-or-die' dichotomy, an

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33 Holman, O., 1993. *Integrating Southern Europe. EC Expansion and the Transnationalization of Spain*. PhD thesis, University of Amsterdam.

34 Hartz, R., 2009. "Dieses Anderssein aufzuheben..." *Grundlagen einer dialektischen Theorie der modernen Arbeitsorganisation*. Münster: Westfälisches Dampfboot.

35 Chenu, M.D., 1979. *La "doctrine sociale" de l'Église comme idéologie*. Paris: Les éditions du cerf.

analysis of the managerial discourse of the Mondragon cooperatives, the bankruptcy of Fagor Electrodomésticos (FED), the 'Reflections on the Future of the Cooperative Experience' (RFCE), the analysis included by Joseba Azkarraga of the discourse of three 'fundadores', José María Ormaetxea, Alfonso Gorroñoigoitia and Jesús Larrañaga, all close collaborators and pupils of father Arizmendiarieta, regarding the Mondragon experience. Notably Azkarraga's Weberian approach reveals substantial differences between his mainstream assessment of Mondragon's cooperative experience and my competing, critical, Gramscian inspired approach. Moving further back to Mondragon's origin, 'dramatic transformation processes' like its 'multi-nationalization strategy' and the coping with internal conflicts, notably the Ulgor strike in 1974, will be scrutinized. Thereby contrasting fundamentally different ways to conceptualize cooperative ideas and practices, included the Arizmendian 'style' co-ops. In this regard the critical intervention of the Vitoria Diocese (1974) constitutes a valuable documentary source to assess the limited transformative and emancipatory capacities -to use an understatement- of the cooperative movement in Spain at the time, viewed from the critical perspective of the authors of the document. A common thread in the periodization of the Mondragon cooperative experience forms the close relationships between its alleged 'degeneration', and the start of its 'multi-nationalization strategy'. In contrast to this linking of that strategy to Mondragon's degeneration, in the mainstream body of literature on this topic we can hardly find references harking back to the original ideas and practices, that is, reflecting on Arizmendiarieta's original, formative practices during the Francoist era of the 40s and 50s. Basically this ignoring or circumventing the immediate historical and political economic conditions, obviously important explanatory factors for Mondragon's genesis and its development during its first years in existence, echoes founding father Arizmendiarieta's own so called 'a-political' and 'a-historical' approach. In my view such an a-political and a-historical analysis of the Mondragon cooperative experience substantially limits its explanatory power.

Subsequently my focus is on largely empirical research findings regarding the *transnationalization* process, intermingled with Spain's integration in the European Union. These processes of transnationalization and Europeanizing, combined with '*globalization*', conventionally linked to Mondragon's degeneration, obviously could not be ignored in this periodization.

The next 'ruptural event' in my periodization will be 'the *most serious internal conflict* Mondragon faced up to then, in the early 70s. More specifically, this episode is focused on the *Ulgor strike* in 1974. Contrasting two fundamentally different visions of cooperatives and the cooperative movement generally but in this case focused on the Mondragon 'model', enables me to elucidate the defining ideological features of Arizmendiarieta's Personalist inspired cooperative 'movement'. The two competing visions being on the one hand the dominant internal vision in the Mondragon co-ops at the time, and on the other hand the contrasting, critical imaginary of the Social Secretariat of the Diocese of

Vitoria, exposed in the document '*Conflictos en el Movimiento Cooperativo*', dated 16 November 1974.

To scrutinize the political turbulence in the declining stage of the Franco regime, directly affecting the Mondragon co-ops, two coinciding events regarding Mondragon's founding father and his cooperative ideology will be analyzed. That is, first, the *Gold Medal of Labor* in 1965 granted to father Arizmendiarieta to the Franco regime, and second, the *Manifesto of Basque Priests (1968)*, a blazing protest of the suppressive policies of the Catholic Church in Spain, as well as the oppression of the Franco regime.

Further proceeding from the present to the original historical conditions of 'Mondragon' empirically centered research findings will be interrogated from the theoretical perspective outlined in Part One. For example, the empirical evidence, provided by distinguished researchers like, to name just a few, Anjel Errasti, Ignacio Bretos, Carmen Marcuello and Iñaki Heras, has been used gratefully to empirically test my theoretical approach. Their research regarding issues like for instance the functioning of Mondragon's 'coopitalist' multinationals in practice, or Mondragon's life under a 'grow-or-die' dichotomy or addressing 'the ties that really bind' provided invaluable empirical evidence.

Ultimately, studying Mondragon's history backward, Part Two, the historical perspective, will end at 'the start', scrutinizing the origin of the Mondragon cooperative experience in the 1940s and 50s.



2



**Theorizing and historicizing the  
'Mondragon experience' from an  
extended and refined macro cultural  
psychological perspective**



This monograph is grounded in Ratner's macro cultural psychological perspective, a distinct approach in detail outlined and elucidated in his volume "*Macro Cultural Psychology. A political philosophy of mind.*"(2012). Being a cultural psychologist and drawing on his ample practical experience as vice president of a large co-op in California, the concept of 'cooperativism' became a prominent field of the subject made him an invaluable source of inspiration for my work on Mondragon co-ops. He authored several books and numerous articles on this subject. In 2007 his '*Cooperative Manifesto*' was published in the *Journal of Co-operative Studies*<sup>36</sup>, in 2009 followed up by the presentation of his 'social theory for cooperativism'.<sup>37</sup> His study "*Cooperation, Community, and Co-Ops in a Global Era*" (2013, New York: Springer), followed by the volume "*The Politics of Cooperation and Co-ops*" *Forms of Cooperation and Co-ops, and the Politics that Shape Them*" (2016, New York: Nova Publishers) focused on cooperation in its particular form of distinct organizations called 'co-ops'. In the former book Carl Ratner presents a brief, critical assessment of the Mondragon cooperative, applying his macro cultural psychological perspective and his theorizing of cooperativism to this particular case.<sup>38</sup> In the mini-symposium 'Mondragon and the degeneration thesis', organized in Nijmegen, March 31, 2017, at Radboud University, Ratner presented his 'original sin thesis' regarding the 'Mondragon experience' as an alternative explanatory model for the problems, dilemmas, and contradictions presently facing the transnationalized 'Mondragon'. Thereby largely drawing on basic insights of the just mentioned writings.

To elaborate in detail, theoretically as well as historically, this 'original sin thesis' I have developed an encompassing theoretical perspective, at a most abstract level, meta-theoretically guided by Gramsci's Marxian inspired '*philosophy of praxis*' as key concept.<sup>39</sup>

Starting point will be the work of Carl Ratner regarding his macro cultural psychology being the general philosophical-theoretical underpinning of his social theory of cooperativism. First, the focus is on his encompassing political philosophy of mind, termed 'macro cultural psychology', subsequently the key tenets of his social theory of cooperativism will be briefly summarized.

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36 Ratner, C., *The Cooperative Manifesto: Social Philosophy, Economics, and Psychology for Co-operative Behavior*. In: *Journal of Co-operative Studies*, 2007, vol. 40, 3, 14-26.

37 Ratner, C., *Power to the People. Cooperativism: A Social, Economic, and Political Alternative to Capitalism*. In: *Capitalism, Nature, Socialism*, (June 2009), Vol. 20, nr. 2, 44-73.

38 Ratner, C., 2013, *Cooperation, Community, and Co-Ops in a Global Era*. Springer: New York. Paragraph '*The Mondragon Cooperative*', pp. 87-91, and '*Limitations of Mondragon's Cooperative Philosophy*', pp. 91-95.

39 Inspired by Tino Heim's doctoral thesis "*Metamorphosen des Kapitals*", *Kapitalistische Vergesellschaftung und Perspektiven einer kritischen Sozialwissenschaft nach Marx, Foucault und Bourdieu*, par. 3.1. *Praxis als Theoretischer Leitbegriff*. (pp. 71-75), 2013, Bielefeld: Transcript Verlag.

## 2.1 A cornerstone of my theoretical perspective: macro cultural psychology, a political philosophy of mind

In 2012, the American psychologist Dr Carl Ratner published his book "*Macro cultural psychology, a political philosophy of mind*."<sup>40</sup> In this voluminous work the author outlines a comprehensive psychological theory which I take as foundational to my study of the Mondragon co-operative movement. This text being a key element of the analytical framework used in my research on the Mondragon experience, offering its main philosophical, theoretical, and historical underpinnings my first step is to elucidate in quite some detail Ratner's political philosophy of mind. To present an intellectual responsible<sup>41</sup>, that is, an honest and accurate characterization of his philosophical-theoretical and methodological approach, I have to quote his basic arguments at some length.<sup>42</sup> This means I will focus on the conceptual key elements of his 519 pages volume, thereby comprising his text to about 35 pages. In my view this procedure is even more so legitimized by the fact that Ratner's theory certainly cannot be viewed as 'mainstream'. On the contrary, just like the Marxian roots of Vygotsky's cultural historical psychology being marginalized in the mainstream body of psychological and social sciences literature<sup>43</sup>, Ratner's work as cultural psychologist has been largely ignored in mainstream literature up to now. Drawing largely (but not exclusively) on his approach, I must correct this neglect and will bring his critical work to the fore.

### 2.1.1 Four main points of the macro cultural psychological approach

In his book<sup>44</sup> Carl Ratner introduces these four main points of macro cultural psychology as a political philosophy of mind:

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40 Ratner, C., 2012. *Macro Cultural Psychology. A Political Philosophy of Mind*. Oxford: Oxford University Press.

41 See Andrew Kliman (*The Failure of Capitalist Production*, 2012, p. 10: 'I also discuss and quote others' arguments at some length because I consider it intellectually irresponsible to ignore contrasting views or characterize them without supplying the evidence and arguments needed to support the characterization – common practices to which my work is frequently subjected'. See for an example regarding 'the Mondragon experience' the passage about Weber and Marx in Azkarraga's '*Análisis del discurso de los fundadores*', 2006: 912, where the class character of alienation (Marx's thesis) is simply dismissed without any substantiation, other than favoring Weber's rationality-thesis.

42 Citing Joxe Azurmendi (*El Hombre Cooperativo*, p. 20), I have preferred 'to sin on the side of maximizing rather than omitting'.

43 See for instance, 'Vygotsky and Marx, toward a Marxist psychology' (2017, edited by Carl Ratner and Daniele Nunes Henrique Silva), p. 5

44 Ratner, C., 2012, *Macro Cultural Psychology, A Political Philosophy of Mind*, Introduction, pp. 3-43.

**1) Macro cultural factors are the genesis, locus, characteristics, mechanisms (operating system), and function of psychological phenomena**

The main tenet of macro cultural psychology is that broad, macro cultural factors – such as *social institutions* (e.g., government, army, church, health care, media, and corporations), *cultural artifacts* (cars, highways, malls, factories, school buildings, books, clothing), and *cultural concepts* (about women, children, work, time, justice, honor, success, character, wealth, land, abortion) – form the origin, locus, characteristics, operating mechanism, and function (raison d'être) of psychological phenomena.

**2) Psychology is political**

This statement is true in the double sense that (a) psychological phenomena (e.g., the psychology of self-concept) are political, and (b) the study of psychological phenomena – the discipline of Psychology – is political. (Throughout the book Ratner designates psychology as regards psychological phenomena with a lowercase “p”, and the discipline of psychology with an uppercase “P”).

***Psychological phenomena are political***

Psychological phenomena are political because of the following relationships: psychological phenomena are cultural, and culture is political; therefore, psychological phenomena are political. Culture is political in the sense that it is governed by particular interest groups and benefits the well-being of those interest groups. Psychological phenomena incarnate political characteristics of culture, and they have a function of supporting them. Following a study of Ritterhouse (2006)<sup>45</sup> on ‘the psychology of racial etiquette’ Ratner mentions the point that micro-level family interactions are the personal part of the political economy; they are not autonomous of it.

***The study of psychological phenomena is political***

The study of psychological phenomena is political because the conception of such phenomena has implications for how people are treated, and for the social competencies and positions associated with psychological phenomena.

Macro cultural psychology has implications for society. It treats psychological phenomena as having been formed by macro cultural factors, which means there is great reason to analyze the latter to understand psychological issues, and there is great reason to change society in order to improve the cultural factors that form psychology. There is also great

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45 Ritterhouse, J. 2006. *Growing Jim Crow: How black and white Southern children learned race*. Chapel Hill: University of North Carolina Press.

reason to encompass people more fully in social structures, because this is the seat of their humanity.<sup>46</sup>

Furthermore, if our discipline fails to fully understand psychological phenomena, then it, by extension, obscures the social forces that form them.

If our discipline treats psychological phenomena as natural and universal, it is implicitly saying that society has little effect on psychology, and there is little need to analyze or change society to enhance psychological functioning. Similarly, if our discipline regards psychological phenomena as individual, personal constructions, there is little need to analyze or change society in relation to psychological functioning.

Naturalistic biochemical theories of mental illness (and psychology in general) are political because they emphasize nonsocial causes that do not reflect on society and do not generate any critique of macro cultural factors as having deleterious impacts on psychology. In addition, biochemical theories incline toward treating disorders with commercial drugs that generate profit for corporations. Financial benefit is only one crude political consequence of psychological theorizing and research. A more subtle, pervasive, and dangerous political consequence concerns how people are treated and how society is implicitly conceived. Carl Ratner is highly critical about the definition of mental disorder by the DSM-III (American Manual on diseases and treatments/drugs). This definition is political because it insists mental disorder is an individual problem that is not caused by cultural stress. This is a remarkable requirement. It insists that any time mental disorder appears, we can assume, a priori, that its cause lies in a dysfunction of the individual. This forecloses any research whatsoever into cultural aspects of mental disorder, because they have been ruled out a priori (Ratner 2012: 21). The DSM defines

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46 A good example of such a macro cultural psychological approach is the 'liberation psychology' of the Spanish-born, Salvadorian Jesuit priest and scholar Martín-Baró. He embraced the 'preferential option for the poor', a central tenet of Liberation Theology. This was his stance as a Jesuit, parish priest, and theologian. It was also the center point of his work as a psychologist. Martín-Baró was assassinated by Salvadorian soldiers in November 1989. His 'crime' was to align himself with the Salvadorian people in their collective resistance to oppression and their struggle for peace and justice. A similar theological and psychological approach can be identified in the Manifesto of the Basque priests in 1968, emphasizing their 'preferential option for the poor' and demanding radical changes in the Spanish ecclesiastical policies and the Franco regime. In Part Two of this monograph, I will point to the remarkable silence of Arizmendiarieta about these demands of his clerical colleagues.

madness as necessarily outside society. It *cannot, by definition*, be caused by social stressors. According to Ratner politics are built into the definition of madness.<sup>47</sup>

Mainstream psychology routinely attributes extreme forms of harmful behavior to individual variables rather than social ones. While the so called 'interactionist model' appears to accommodate all kinds of variables, it emphasizes individual variables as responsible for destructive behavior. The thrust of interactionism displaces the predominant causes of destructive behavior from cultural factors to individual, biological ones that "interact" with them. Social reform in treating children becomes marginalized in favor of giving them pills – social problems have been transformed into biological defects.

Defining madness as extreme behavior on a normal curve has the same effect of divorcing it from normal behavior. It is statistically deviant. This is politically functional for obscuring social causes of mental dysfunction, and for obscuring the need for social reform to reduce dysfunction. As Foucault<sup>48</sup> (1987, p. 62) put it: "*If Durkheim and the American psychologists have made deviancy and departure the very nature of mental illness, it is no doubt because of a cultural illusion common to both of them: our society does not wish to recognize itself in the ill individual whom it rejects or locks up.*" (Ratner, 2012: 23).

### 3) **Macro cultural psychology is a philosophy of mind**

'Construing psychology as part of culture is to develop a new conception of psychology. This new conception is a general psychological theory that is really a philosophy of mind, consciousness, mentality, and subjectivity. It involves rethinking what these are. Culture is not simply a new factor that we can correlate with psychology. Relating psychology to culture must be an *internal relationship*<sup>49</sup> in which we comprehend why and how they fit together. We cannot simply take psychology as conventionally construed and add culture as conventionally construed. Rather, we reconceptualize psychology as a *cultural phenomenon*, a cultural specimen, a part of human civilization.' (Ratner, 2012: 25).

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47 See for an outrageous example of this political nature of the discipline of psychology/psychiatry, Paul Preston (*The Spanish Holocaust, Inquisition, and Extermination in Twentieth-Century Spain*, 2013, p. 514-15) the Spanish psychiatrist, head of the psychiatrist services of Franco's rebel army, Antonio Vallejo Nágera, who published *The Eugenetics of Spanishness and the Regeneration of the Race* (1937). His eugenetic racism stated that a race was constituted by a series of cultural values. His purpose was to pathologize left-wing ideas, and his theories were used to justify the sequestration of Republican children.

48 Foucault, M., 1987, *Mental illness and psychology*. Berkeley: University of California Press (Original work published 1962).

49 For an explanation of 'the philosophy of internal relations' see Bertell Ollman's 'Dance of the Dialectic', *Steps in Marx's Method*, 2003, Ch. 3, *The Philosophy of Internal Relations*, pp. 36-50.

'Every psychological theory consists of collateral issues that support the main concepts. Understanding the latter requires understanding the former. For instance, every psychological theory implicitly rests on, and contains, assumptions about realism, subjectivism, relativism, constructionism, individualism, reductionism, emergence, atomism, holism, and objectivity.'

Collateral issues profoundly affect the insights of a theory or methodology. The key to Vygotsky's brilliance was his deep understanding and reliance on dialectics, rationalism, systemic thinking, historical thinking, and a political commitment to social transformation. As Vygotsky<sup>50</sup> (1926/1997b, p. 308) put it, "The nature of psychological material does not allow us to separate the psychological propositions from philosophical theories to the extent that other empirical sciences have managed to do that. The psychologist fundamentally deceives himself when he imagines that his laboratory work can lead him to the solution of the basic questions of his science; they belong to philosophy."

Because psychology was systematically constructed to be a noncultural field comprising noncultural factors, principles, mechanisms, constructs, and definitions, it must now be deconstructed and reconstructed in the new terms of macro cultural factors, principles, mechanisms, constructs, and definitions. Our philosophy of mind elucidates fundamental issues. The point of this book is to understand the nature of human psychology, along with its origins, characteristics, and functions. To accomplish this, Ratner examines philosophical issues to gain insight into complex psychological questions.

A primary theme of Ratner's book is that concepts and constructs in cultural psychology – and in all social science – rest upon ontological, epistemological, and methodological assumptions. These need to be elucidated and evaluated to be comprehended and improved. Elucidating and evaluating assumptions and ramifications is what Ratner means by calling this book a philosophy of mind. For the author, elucidating and evaluating assumptions and implications is what it means to be philosophical. For example, the definition of *culture* determines the entire way we approach cultural psychology. This follows from the fact that cultural psychology is the study of the relationship between culture and psychology. *What we think psychology is depends on what we think culture is.* (my emphasis). *If culture is massive, political, social institutions such as transnational corporations, then psychology has those characteristics. But if culture is primarily interpersonal, face-to-face interactions, then psychology would have those characteristics, not the characteristics of political economy* (my emphasis).

Our definition of culture also determines how we conceive of the relation between culture and psychology. (Ratner, 2012: 28).

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50 Vygotsky, L.S., 1997. *The collected works of Vygotsky (Vol. 3)*. New York: Plenum.

All the important issues in cultural psychology depend upon our definition of culture. This definition drives us to conceptualize all the other aspects of cultural psychology in a congruent manner (i.e., in a coherent system). All differences among approaches to cultural psychology stem from different conceptions of culture. Because our definition of culture is pivotal to the entire enterprise of cultural psychology (including the theories and methodologies we develop and the conclusions we draw), I (Carl Ratner, HW) shall devote a great deal of attention to developing an appropriate definition. (Ratner, 2012:28).

It is not simply a matter of saying that psychology is cultural; we must prove it by elucidating the logical, necessary, internal relation between the two. To do so, our philosophy of mind construes human psychology as a logically consistent system of factors (moments) that are congruent with, supportive of, and subordinate to the fundamental fact that human psychology is a cultural phenomenon. Such a reconceptualization of psychology – which explains why and how all the elements of human psychology, including biological and personal ones, are congruent with, supportive of, and subordinate to cultural life – requires establishing new elements, mechanisms, principles, descriptors, and explanatory constructs. These will be the focus of the book. (underlined HW).

Our philosophy of mind is a complete, consistent, exclusive account of psychology. It rejects discrepant constructs; it is not an eclectic mix. Following Vygotsky (“Vygotsky had no tolerance for eclecticism. He criticized it for being unsystematic.”) and Einstein, who ‘summed up the systemic grandeur of scientific theory when he said, “Science is the attempt to make the chaotic diversity of our sense experience correspond to a logically uniform system of thought.” (Einstein,<sup>51</sup> 1954, p. 323). Constructing the logically uniform theoretic structure for psychology is what Ratner seeks to do in this book (underlined HW).

Pursuing core scientific constructs that unify a discipline does not endorse dogmatism. On the contrary, it encourages debate within scientific parameter and then selects the most logical and empirically confirmed principles as guidelines for further inquiry. These are clearly open to refinement as the history of science demonstrates (e.g., Einstein refining Newton’s principles).

A systemic, integral view of psychological theory and methodology reveals that errors have great significance because they impact the entire system (theory and methodology). The error is not simply elements to adjust themselves in adverse ways. An error drags down the theory or methodology. (underlined HW).

This makes correcting errors vitally important. Errors impede the development of an adequate philosophy of mind, or of psychological theory or methodology. We must uproot

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51 Einstein, A., 1954, *Ideas and opinions*. New York: Bonanza.

errors in order to proceed. Errors are not mere oversights; they are obstacles. (Ratner, 2012: 32). (underlined HW).

They don't neutrally wait to be corrected by more accurate knowledge; they impede the acquisition of accurate knowledge. This is why Ratner shall make pointed, "impolite" criticisms of errors that he sees in psychological theory and methodology. Since errors are intolerable, it is necessary to be intolerant of them. *Such intolerance does not question the well-meaning intentions of the researcher; it questions the product.* (emphasis HW).

#### 4) **Macro cultural psychology is a political philosophy of mind**

A general psychological theory, or philosophy of mind, must be political to be adequate to its subject matter, which is political.

Macro cultural psychology is political in that it does the following:

- a) Elucidates and evaluates political aspects of cultural factors such as ideology, racial codes of etiquette, and advertising, which form psychological phenomena; and
- b) Emphasizes, explains and describes the political origins, character, and function of psychological phenomena that derive from political macro cultural factors.
- c) Elucidates and evaluates the political assumptions and consequences of psychological (and social science) theories and methodologies (i.e., Psychology).

Objective, thorough social science must penetrate beneath given appearances to comprehend how they mask a deeper truth. Appearances do not constitute or illuminate reality; they disguise it.<sup>52</sup> Consequently, they cannot be accepted at face value and simply measured. They must be questioned suspiciously.

Ratner refers to this analysis as "critical hermeneutics". For instance, Marx's theory of commodity fetishism exposes the mystification of social relations in the commodity as a concealed form of domination that contributes to the creation of alienated subjects.

Groups with different vested interests (which stem from their different social positions) struggle to control macro cultural factors. *Macro cultural psychology emphasizes that*

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<sup>52</sup> Harvey, D., 2014. *Seventeen Contradictions and the End of Capitalism*. London: Profile Books. In page 6 Harvey writes: "The contradiction between reality and appearance which all these produces is by far the most general and pervasive contradiction that we have to confront in trying to unravel the more specific contradictions of capital."

*the political nature of macro cultural factors is a central source, feature, and function of psychological phenomena* (my emphasis).

All social science theories and methodologies rest upon assumptions about how society is and should be organized. These political assumptions penetrate the details of social science theories and methodologies – surreptitiously, of course. Ratner illustrates this position by statements of Chomsky (who acknowledges the political basis of theories of language, and explains that his nativist, rationalist theory of universal grammar rests upon a political ideal of freedom (Chomsky,<sup>53</sup> 1975, pp. 131-134). But also, the ‘conversational turn’ in cultural psychology rests upon and conveys a political agenda. The same goes for Gergen and Gergen’s principles of social constructionism (Gergen and Gergen,<sup>54</sup> 2002, p. 51). Lewontin<sup>55</sup> (1991) explained how certain doctrines within biological science are ideological legitimations of the political status quo.<sup>56</sup> Paul Krugman<sup>57</sup> (2010) explained “How economists got it so wrong”: they misunderstood its subject matter, and even prevented its understanding (Ratner, 2012: 37).

Macro cultural psychology reveals a whole new nature to psychological phenomena, just as evolution revealed a whole new nature to species.

Of all the cultural psychologists of different persuasions (including cross-cultural psychologists, indigenous psychologists, and psychological anthropologists, only one group has moved toward a theoretical breakthrough. This is the small group of psychologists associated with Vygotsky (my emphasis). Vygotsky, Luria, and Leontiev developed a school known as *cultural-historical psychology* that worked on a particular level of a model of the structure of scientific thinking.

At this point of my account of Ratner’s political philosophy of mind I must note that I will return to the ‘school of cultural-historical psychology’ in my brief encounter with the ‘*Kritische Psychologie*’, developed in Germany by Klaus Holzkamp, particularly drawing on Leontiev’s activity-centered approach. In my view, addressing the similarities and differences between Ratner’s macro cultural psychology and Holzkamp’s ‘critical psychology’ facilitates the mutual enrichment and deepening of both critical approaches,

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53 Chomsky, N., 1975, *Reflections on language*. New York: Pantheon.

54 Gergen, K., & Gergen, M., 2002, *Toward a cultural constructionist psychology*. In M. Hildebrand-Nilshon, C.-W. Kim, & D. Papadopoulos (Eds.), *Kultur (in) der Psychologie* (pp. 47-64). Heidelberg, Germany: Asanger Verlag.

55 Lewontin, R., 1991, *Biology as ideology: The doctrine of DNA*. New York: Harper.

56 *Regarding the ideological legitimation of the political status quo by the social doctrine of the Catholic Church, foundational to the Personalist philosophy of Arizmendiarieta, see M.D. Chenu, 1979, La “Doctrin Sociale” de l’Église Comme Idéologie*, Paris: Les éditions du Cerf.

57 Krugman, P., 2010, January 7, *Bubbles and the Banks*, *New York Times*.

thereby facilitating my explanatory ideology critique of the Mondragon cooperative experience.

In his book the author outlines a comprehensive psychological theory. As such, it is primarily conceptual in nature. While Ratner draws upon empirical research for his hypotheses, tenets, principles, processes, and conclusions, he goes beyond empirical research, as all conceptual works do. The reason is that the social, psychological, and natural worlds are complex and multileveled; they consist of principles and processes that are not fully or directly observable as empirical facts. While complex reality generates the facts, is implicated in them, and is represented and implied by them, complex reality is not fully expressed in and captured by the sensory data of empirical facts. Complex reality – social, psychological, and natural – is only comprehended by the reason of the human mind and objectified in sophisticated, grand theories. These grand theories are certainly based on facts, but they are also certainly more than a compendium of facts. They must transcend the facts to fill them in, explain them, and integrate them based on unobservable principles, processes, and features. Scientific theories (and conclusions) are creative extensions of data. In this sense they are “underdetermined” by the data. This is certainly the case with Einstein’s theory of relativity, Darwin’s theory of evolution, geological theory of tectonic plates, and Vygotsky’s sociocultural psychology (Hanson, 1969, in particular Chap. 13<sup>58</sup>).

Contrary to positivistic ideology, the deeper and further a scientist can see beyond what is immediately observable, measurable, and testable, the more brilliant he or she is.

It is far more difficult, perceptive, imaginative, creative, and knowledgeable to envision cells, atoms, germs, and genes with specific properties without the technical aids such as microscopes – without such aids even having been invented – based on reasoning, imagination, knowledge, and insight. This is what true scientific breakthroughs consist of.

The unobservable constructs of macro cultural psychology are equally more important, informative, and scientific than overt behaviors such as income inequality, years of schooling, years of marriage, voting behavior, frequency of sexual intercourse, and number of meals a family eats together in a week.

Einstein explained that scientific concepts are imaginatively constructed. The concept must be consistent with the data – however, it is not directly produced by the data. Einstein’s conception of idealizing concepts contradicts the positivistic conception that concepts are the sum of empirical, factual experience.

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58 Hanson, N.R., (1969). *Perception and discovery: An introduction to scientific inquiry*. San Francisco: Freeman.

Ratner: I believe I offer enough empirical support for my postulates, tenets, principles, speculations, and conclusions to render them plausible and worthy of further research. However, I leave to later research the difficult task of empirically confirming the postulates, tenets, principles, speculations, and conclusions that I offer. This is a common situation in scientific discovery. (Ratner, 2012: 8).

### 2.1.2 New constructs and new methodologies

New constructs often require new methodologies to research them. Methodology is not theoretically neutral; like most technology, it is theory-laden and directive.<sup>59</sup>

We shall see that a new cultural qualitative methodology is necessary to adequately research principles of macro cultural psychology. According to Ratner studying the macro cultural level requires a novel methodology.

“Many micro-level observational and experimental procedures are not applicable to theorizing about and researching broad, massive, distant, enduring, historical macro structures. Macro cultural psychology is akin to astronomy in that it studies massive, distant, untouchable phenomena. Astronomy requires sophisticated powers of analysis, synthesis, interpretation, and warranted speculation to comprehend such phenomena; macro cultural psychology requires the same powers. Historiography offers important clues to developing this kind of analysis, synthesis, interpretation, and warranted speculation.” (emphasis HW); (Ratner, 2012: 51).

This monograph on ‘the Mondragon experience’ takes up Carl Ratner’s demanding challenge, thereby following his advice to use historiography (in a Gramscian sense) as a fruitful methodological framework. Part Two, the historical perspective, demonstrates its application to the ‘Mondragon’ case.

### 2.1.3 Politics and Objectivity

In this section Ratner addresses the ‘touchy subject’ (as Martín-Baró calls it<sup>60</sup>) of power and the politicization of psychology. This liberation psychologist who was also inspired

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59 This is in line with Norman Fairclough, who writes in his “Critical Discourse Analysis. The Critical Study of Language.” (Second edition, 2010), p. 223: “I use methodology in preference to method. Settling on a methodology for a particular research project is not just a matter of selecting from an existing repertoire of methods. It is a theoretical process that constructs an object of research (a researchable object, a set of researchable questions) for the research topic by bringing to bear on it relevant theoretical perspectives and frameworks. Methods (e.g., of data collection and analysis) are selected according to how the research object is constructed. So, one cannot neatly separate and oppose theory and method in a conventional way.”

60 I. Martín-Baró in: *Writings for a Liberation Psychology*, 1996, edited by Adrienne Aron and Shawn Corne, p. 29).

by liberation theology and assassinated because of his taking side of the brutally oppressed Salvadorian people, puts it this way: *"To be sure, to adopt a perspective, to put oneself inside a popular praxis, is to take sides. There is an assumption that taking a stand represents an abdication of scientific objectivity, but this assumption confuses bias with objectivity. The fact that something is biased does not necessarily mean it is subjective; bias can be the consequence of interests, more or less conscious, but it can also be the result of an ethical choice. And while we are all affected by the class interests that bias our knowledge, not everybody makes conscious ethical choices consonant with those values. (my emphasis, HW). For example, although a position has to be taken with respect to torture or assassination, this does not mean that one cannot be objective in understanding the criminal act or the actor, the torturer or assassin. If we were not able to take an ethical stand while still maintaining objectivity, we might easily condemn as murder a death caused by a guerilla but condone and even exalt as an act of heroism a death produced by a soldier or the police. Thus, I agree with Fals Borda, who maintains that practical knowledge acquired through participatory research should lead toward the people gaining power, a power that allows them to become the protagonists of their own history and to effect those changes which would make Latin America societies more just and more humane."*

In a similar vein, Carl Ratner puts it this way:

*'Contrary to popular assumption, the political assumptions of social science doctrines, particularly psychological doctrines, can be objective, they are not necessarily antithetical to objective social science. Political assumptions can distort or reveal the origins, characteristics, and function of psychological phenomena. Social science doctrines that are based upon political ideals of individual freedom are incapable of appreciating the cultural nature of psychological phenomena. In contrast, doctrines based upon political ideals of humanizing the structure of cultural factors – and criticizing adverse cultural factors – are attuned to important cultural origins, features, and functions.*

Political assumptions are normally regarded as introducing biases that invalidate scientific theories and methodologies. This is true for the natural sciences but not for the social sciences. The reason is that the subject matter differs in the two domains. Natural phenomena are not political, and therefore introducing political assumptions about the nature of phenomena would jeopardize our understanding of them – as religious and spiritual dogmas have done. Indeed, the advance of natural science has come about because natural science repudiates political orientations such as religious and spiritual dogma.' Regarding the let's say 'uneasy' relationship between natural phenomena, that is, the natural sciences and in this case the Roman Catholic Church, we have to note here that it lasted about three ages to eventually acknowledge that Galileo was right, and the Church had it wrong! A fine illustration of Ratner's position. Ratner continues: 'However, social science deals with cultural factors and behavior that are political. An objective

social science must take account of this and be political in this sense. Social scientists should not attempt to eliminate all political assumptions. They should only debunk invalid, ideological ones that overlook and misunderstand cultural and psychological phenomena.' (Ratner 2012: 39).

### **2.1.4 Historical background and philosophical underpinnings of macro cultural psychology**

In the first chapter of his book, Carl Ratner sketches the historical background and philosophical issues of his macro cultural psychology. To elucidate the key elements of this chapter, I will present a brief excerpt of it.

The first macro cultural psychologist can be considered to be Abu Al-Biruni, a Muslim scholar from Uzbekistan who conducted an extensive ethnography of Indian society and mentality in 1017. He has been called the first anthropologist, and was a prodigious natural scientist who knew, 600 years before Galileo, that the earth rotates on its axis daily and moves yearly around the sun.

The tenets of macro cultural psychology, and of social science in general, originated in the human sciences movement (*Geisteswissenschaften*) in Germany in the 1770s. This movement introduced the concept of culture as fundamental to human life. "Culture" referred to the spirit of a nation (*Geist*), or a nation's character. This national *Geist* was a collective human mentality shared by individuals in a nation. Scholars who explored this were roughly known as the Göttingen Schule, as they were centered in the University of Göttingen. They emphasized the collective, cultural character of individual mentality. (Ratner, 2012: 44).

The Göttingen School had a scientific program: to understand the collective development of the human mind in society, a process these scholars came to describe as "culture".

These prescient cultural scholars emphasized the concreteness of culture, which reflected a specific nation in a unique historical configuration. The individual was inescapably part of this concrete culture. "His language was the language of a particular tribe, and his notion of truth was a particular truth." (Carhart, 2007, p. 93)<sup>61</sup>.

These founders of the human sciences emphasized language as a central cultural mechanism that coordinated behavior, concepts and thinking:

Beginning with Condillac in 1746 and continuing down through Herder in 1772, *the origin of language* discussion attracted the attention of philosophers, physicians, pastors, and

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61 Carhart, M. (2007), *The science of culture in Enlightenment Germany*. Cambridge: Harvard University Press.

educators across Europe. It was generally agreed that language was the mechanism of human cognition. That is, language was the vehicle through which raw perceptions were transformed into knowledge, thoughts, or ideas in the mind. After Herder, that is, in the 1770s, language theorists concluded that they had exhausted the avenues of inquiry that speculated about cognitive processes in the abstract and universal individual. Shortly before 1780, a new line of inquiry opened – that of the simultaneous development of language and society (emphasis HW). Instead of a universal attribute of humanity (which Saussure, in 1916, called *parole*), language came to be understood as a product of society (which Saussure called *langue*).

A person's understanding of the world was shaped by his language (emphasis HW). Languages were profoundly different, the ideas they conveyed having been established in the beginning of the nation's history. It followed then that the world must appear differently to people from different nations." (Carhart, 2007, p. 78, 85.)

Language was thus rooted in society. "The first function of language was not to reason abstractly but to communicate... Crucial to the connection of ideas and the formation of language was society". (Carhart, 2007, p.81).

The original cultural turn was thus a turn toward macro culture, not a turn toward individual constructions of culture (which it has recently become). Language reflected cultural activities and values, not personal ones.

Language was not a capricious, solipsistic invention of entertaining symbols divorced from reality. Structuralist linguistics from Saussure endorsed this realistic orientation.

According to Zagorin, (1999, p. 8)<sup>62</sup> Saussure never supposed that the world is constructed in language and does not exist independently of our linguistic descriptions. As a number of scholars have shown, these idealist opinions were not his but conclusions drawn from and imposed upon his work by the subsequent poststructuralists and literary theorists who are responsible for the postmodernist philosophy of language.

The Göttingen School emphasized that language is the mediator between the world and the mind; only through language could the world be made intelligible. Herder's 1770 *Essay on the Origins of Language* went so far as to argue that language was what made man human.

Studying psychical processes in macro cultural factors is advantageous for understanding cultural components of psychology. Macro cultural psychology utilizes these

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62 Zagorin, P. (1999). *History, the referent, and narrative: Reflections on postmodernism now. History and Theory, 38, 1-24.*

understandings of psychology in culture and culture in psychology to conduct empirical research on the cultural psychology of individuals.

Another important cornerstone of macro cultural psychology was the historical school known as the Annales. It arose in France in the 1920s under the leadership of Lucien Febvre and Marc Bloch, and it included Braudel and Aries in later generations. The Annales school studied the history of “mentalities” as they are embedded in cultural and historical structures and processes (Burguiere, 2008<sup>63</sup>; Daileader & Whalen, 2010<sup>64</sup>).

The eighteenth- and nineteenth-century pioneers of culture and cultural psychology laid out crucial ideas that macro cultural psychology embraces. Vygotsky, Luria, and Leontiev embraced these ideas in their cultural-historical psychology. In fact, the cultural secrets of psychology that Vygotsky and Luria discovered in micro-level observations and experimentation originated on the macro cultural level. (underlined HW). These include the facts that thought is dependent upon language, social interaction stimulates and organizes psychology, and psychology is mediated by social artifacts.

Luria gives a sense of this in his statement: “thought was a special process formed in the course of social and historical development as a result of the role which language plays in mankind’s social history. That is why *thought which in the early stages of history was itself a concrete activity* which only later became a condensed, inner, process, cannot be regarded as an original ‘spiritual’ act. *Thought has its own social history...*” (emphasis by Carl Ratner, cited in Levitin<sup>65</sup>, 1982, p. 80).

The ontogenetic research that Luria, Vygotsky, and their colleagues conducted on the social formation of thought recapitulated the historical formation of this dependence. The first step of this historical formation entailed thought’s being a concrete activity of communicating with others – hence the etymology of *consciousness*, which is “to know together”.

Here Luria endorses the view of the Göttingen school: only with the development of civilization (e.g., increased division of labor) did thought become abstracted from activity as a condensed inner process. Thought is not essentially an inner, mental activity. It came to be this way through a cultural-historical development. Macro cultural psychology traces this cultural-historical development in the changing forms of human civilization.

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63 Burguiere, A. (2008). *The Annales School: An intellectual history*. Ithaca: Cornell University Press.

64 Daileader, P. & Whalen, P. (2010). *French historians 1900-2000: New historical writing in twentieth-century France*. New York: Wiley Blackwell.

65 Levitin, K., 1982, *One is not born a personality: Profiles of Soviet education psychologists*. Moscow: Progress Publishers.

*Macro cultural psychology is thus the realization and revelation of Vygotsky's cultural-historical psychology. It reveals the true source and foundation of cultural aspects of psychology, and it realizes the study of this true source and foundation of psychology's cultural features by raising it to the macro cultural level, where it is directly investigated. This was Vygotsky's underlying, ultimate goal. He said for example, "Once we acknowledge the historical character of verbal thought, we must consider it subject to all the premises of historical materialism, which are valid for any historical phenomenon in human society. It is only to be expected that on this level the development of behavior will be governed essentially by the general laws of the historical development of human society."* (Vygotsky<sup>66</sup>, 1986, pp. 94-95). This is a pregnant statement. It says that human psychology is historical in the sense that human society is historical. The historical dimension of human society pertains to its social institutions, artifacts, and cultural concepts. In other words, it refers to macro cultural factors. *Vygotsky is saying that psychology is part of macro culture and is governed by its historical processes and dynamics.* (my emphasis, HW).

Although Vygotsky primarily researched micro-level interpersonal interactions as generating psychological development, he clearly understood these to be subordinate to the macro level, which is where the principles of historical material operate. All of the micro processes that Vygotsky studied are derived from, and reflections of, macro-level historical society. Macro cultural psychology explains why psychology is cultural-historical. Vygotsky stated the cultural-historical character of psychology, but he did not explain the intricate relationship between historical processes and psychological phenomena.

Macro cultural psychology fills these lacunae by explaining that psychology is a macro cultural phenomenon – its unique properties evolved to form the unique properties of macro cultural factors (i.e., it incarnates the features of macro cultural processes- in distinctive psychological forms).

Psychological phenomena are elements of culture. They are subject to the principles, forces, and competing interest groups, then psychological phenomena are also, because they are part of these factors and essential to sustaining them. If cultural factors need to be reorganized to solve social problems and enhance human development, then psychological phenomena must be part of that transformative process.

Language, and its relation to thought, is a function of macro cultural-historical processes, as Vygotsky says. Language does not evolve to more abstract forms and complex grammars at the level of parents speaking to infants. Rather, the level of linguistic abstractness and complexity that parents use with their children is a function of macro

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66 Vygotsky, L.S., 1986, *Thought and language*, Cambridge: MIT Press.

historical processes. Micro-level discourse cannot explain how language changes at the societal level. There is no micro-level reason that parents 10,000 years ago should have used simpler language with their children than Germans today use. However, macro cultural processes can explain this, because language is a macro historical phenomenon that is governed by the historical development of society.

The micro level does not fully capture the intricacies of the macro level. The micro level does not reveal the workings of historical materialism concerning social events such as wars, revolutions, social reorganizations, modes of production, and political economy. (Ratner, 2012: 49).

The micro level reflects effects of these macro events, but it does not reveal them in their full complexity. It is necessary to directly study macro events in order to capture the fullness of Vygotsky's statement that psychology is governed by the laws of historical development of society. Macro cultural psychology does this. It therefore is the realization of Vygotsky's cultural-historical school of psychology.

In addition to revealing and realizing Vygotsky's cultural-historical psychology, macro cultural psychology revitalizes it. It injects vibrant, new, fascinating material that enriches our understanding of cultural psychology and takes it to new directions in political machinations that guide macro cultural factors (Brandist,<sup>67</sup> 2006; Kalmar<sup>68</sup>, 1987; Petit & Schweikard<sup>69</sup>, 2006; Ratner<sup>70</sup>, 2006a). A fruitful development has been work on "extended cognition" or "material agency" which emphasizes how the mind is extended in cultural artifacts ("exograms") on which it depends and which permeate and structure is. John Sutton articulates this approach:

"parts of material culture are not simply cues which trigger the truly cognitive apparatus inside the head but instead form 'a continuous part of the machinery itself', as 'systemic components the interaction of which brings forth the cognitive process in question.' On this view, cognitive science is thus not just the study of the brain: indeed, even neuroscience cannot be the study of the brain alone, for brains coupled with external resources may have unique functional and dynamical characteristics apparent only when we also attend to the nature of those resources and the peculiarities of the interaction..."

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67 Brandist, C., 2006, *The rise of Soviet sociolinguistics from the ashes of Völkerpsychologie*, *Journal of the History of the Behavioral Sciences*, 42, 261-277.

68 Kalmar, I., 1987, *The Völkerpsychologie of Lazarus and Steinthal and the modern concept of culture*. *Journal of the History of Ideas*, 48, 671-690.

69 Pettit, P., & Schweikard, D., 2006, *Joint action and group agents*. *Philosophy of the Social Sciences*, 36, 18-39.

70 Ratner, C., 2006, *Cultural psychology: A perspective on psychological functioning and social reform*. Mahwah, NJ: Erlbaum.

Unique historical and cultural features of human beings extended cognitive make-up are thus not accidental extras added to a basic biologically given mind. Rather, such changing media, objects, routines, institutions and practices have long been integral parts of the coordinated, interactive cognitive systems in which our characteristic plasticity is revealed, engaged and transformed (Sutton<sup>71</sup>, 2010, pp. 37-38)."

Macro cultural psychology elucidates the relationship between culture and psychology at a higher level of complexity than the interpersonal level. For instance, we study the psychology of needs and desires involved with consumerism, and how consumer capitalism acculturates these needs and desires through media and cyberspace rather than through parental directions (Applebaum<sup>72</sup>2009a).

Studying the macro cultural level requires a novel methodology. Many micro-level observational and experimental procedures are not applicable to theorizing about and researching broad, massive, distant, enduring, historical macro structures. Macro cultural psychology received an enormous boost from psychological anthropology in the 1980s. Culture and Depression (Kleinman & Good, 1985), Culture Theory (Shweder & LeVine, 1984), and Unnatural Emotions (Lutz, 1988) exemplified many brilliant contributions. After a brief 10 years of flourishing, cultural psychology was undercut in the 1990s by an alternative perspective concerning fundamental issues. Carl Ratner calls this alternative perspective "micro cultural psychology". According to him this perspective 'distracted, diverted, and obstructed the realization of the fruitful macro cultural psychology of the 1980s.

### 2.1.5 Philosophical Issues. Systems and Dialectics

In paragraph 'Systems and Dialectics'<sup>73</sup> the author outlines several key elements in the philosophical and historical underpinnings of his approach to cultural psychology. "Macro cultural psychology regards psychological and cultural phenomena as integrated within a system. This systemic relationship enables culture and psychology to reciprocally form each other with maximal power and fullness. It makes each a part of the other and saturated with the other. No other relationship between culture and psychology is as deep, encompassing, rich, dynamic, complex, and interesting as the systemic one. Systemic philosophy (ontology and epistemology) deepens our appreciation and understanding of the full, rich, integral relationship that exists between culture and psychology. Vygotsky (1997b)<sup>74</sup> emphasized the systemic nature of phenomena and the need to adopt systemic

71 Sutton, J., 2010, *Material agency, skills, and history: Distributed cognition and the archaeology of memory*. In C. Knappett, L. Malafouris (Eds.), *Material Agency (Chapter 3)*. New York: Springer.

72 Applebaum, K., 2009, *Consumers are patients! Shared decision-making and treatment non-compliance as business opportunity*. *Transcultural Psychiatry*, 46(1), 107-130.

73 Ratner, C., 2012, *Macro Cultural Psychology*, pp. 53-80.

74 Vygotsky, L.S. (1997). *The collected works of Vygotsky (Vol. 3)*. New York: Plenum.

philosophy in order to comprehend them: “We must take interest in systems and their fate. Systems and their fate – it seems to me that for us the alpha and omega of our next work must reside in these four words” (p. (107). Denying or ignoring dialectical systemic philosophy impedes the development of macro cultural psychology to comprehend the full, rich relationship between culture and psychology. Consequently, it is important to learn from the scholarship on systemic philosophy how to apply it to cultural psychology. Sawyer (2005)<sup>75</sup> provides a useful history of some pioneers of systems and emergence. However, he does not discuss the concepts of Hegel and Marx, which are the most useful. I shall draw on their concepts in developing my notion of a system.<sup>76</sup>

According to Ratner, to apply it to cultural psychology, one has to learn from the scholarship on systemic philosophy, notably from the concepts developed by Hegel and Marx. Ratner’s notion of a system draws on their concepts. He emphasizes twenty-eight points determining this notion.

For the purpose of my outlining in brief terms the key tenets of his macro cultural psychological approach I will focus on just the first four topics he addresses. First, because they elucidate ‘dialectics’ as the central tenet of his systemic philosophy, thereby referring to the thinking of Hegel and Marx, and second, because they designate ‘political economy’ and ‘cognition and language’ as dominating respectively culture and psychology, both viewed as a system. These dominating system-elements are crucial in my theoretical-analytical framework as will be shown below.

### ***1. A system consists of elements that are interdependent and overlapping (interpenetrating)***

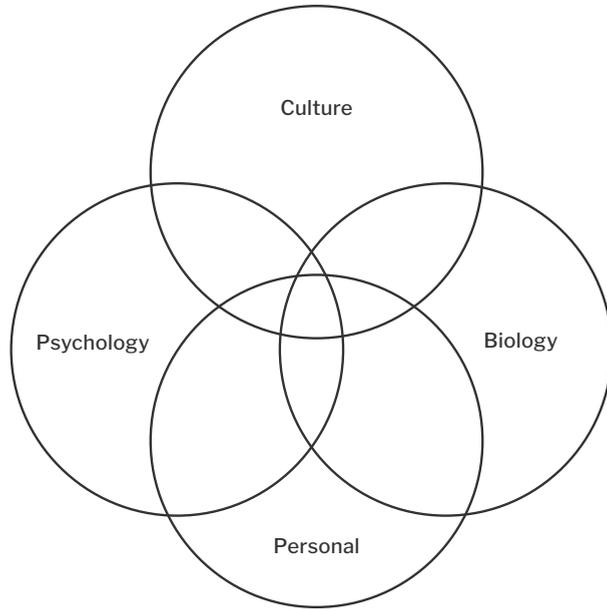
Each permeates the others, rather than remaining external to them. This is called *internal relations*. It is a central tenet of the systematic philosophy known as dialectics. For us, systemic philosophy is dialectical philosophy. It opposes atomistic philosophy that regards elements as separate and discrete variables, like billiard balls – impacting one another momentarily and shifting their positions quantitatively. Internal relations are permanently intertwined and affect one another’s quality. Internal relations are thus qualitative relations. They require qualitative methodology to be known in their full interdependence and complexity. We may illustrate the dialectical systemic model in regard to the four basic elements of cultural psychology, namely, the relation between culture, psychology, biology, and personal experience.

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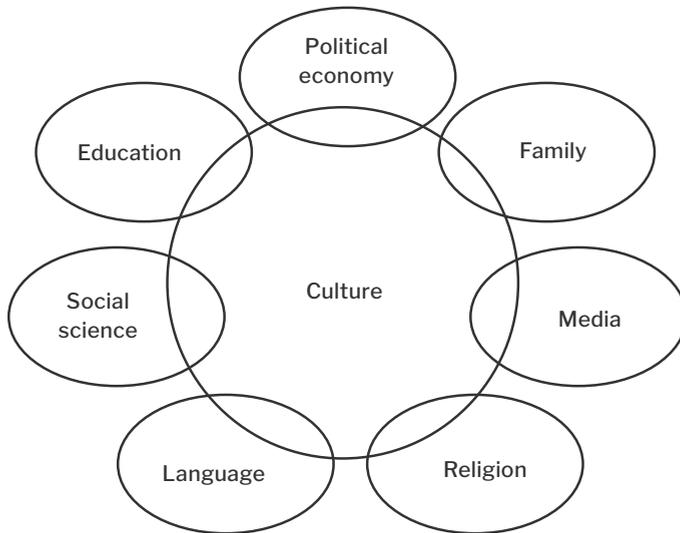
75 Sawyer, R. (2005). *Social emergence: Societies as complex systems*. New York: Cambridge University Press.

76 See the striking similarity with Ronald Hartz’s dialectical theory of labor organizations, grounded in the thinking of Hegel and Marx, particularly regarding dialectical reasoning. His theory will be addressed below.

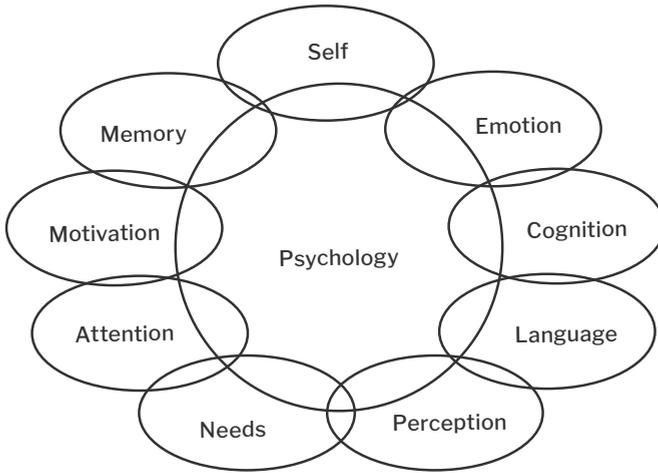
The dialectical system would look like this figure: (Ratner 2012: 54)



**Figure 1.1** *Dialectical System of Culture, Psychology, Biology, and Personal Experience.*



Each element is itself a complex dialectical subsystem. For instance, culture as a dialectical system may be depicted as in this figure. (**Figure 1.2** *Culture as a Dialectical System*)



Psychology is also a complex dialectical subsystem; it may be depicted as in this figure: (Figure 1.3 Psychology as a Dialectical Subsystem.)

The qualities of each extend through the others to form a blend that evens out inconsistencies. There is not a juxtaposition of inconsistent atoms as is true for atomistic philosophy. (Ratner 2012: 54).

**2. A dialectical system is not an interaction of disparate, discrete elements.**

A coherent, unified system is not a sequence of separate, independent, juxtaposed elements that “interact”. Interaction implies separate, independent elements that each contribute some “variance” or influence to others. Interactionism opposes the internal blending and merging of phenomena in dialectical systems.

**3. While the elements come to blend together in a symbiosis, they also retain qualitative distinctness.**

This is why they influence one another; if they lost their distinctness, they could not do so. In other words, while psychology is cultural, it is a particular kind of cultural element that is different from others such as artifacts. An emotion is not a spoon, although it is formed by artifacts such as eating utensils, and although a spoon may be invested with emotional significance (e.g., if it is a treasured heirloom or disgustingly dirty). Distinctiveness and interplay among different elements coexist within the overall unity of a system.

#### 4. *Within the dialectical system of elements, certain one(s) are more dominant than others*

The fact that elements are intertwined and reciprocally constitute one another does not mean they do so equally.<sup>77</sup> We shall see that within cultural psychology as a system (Fig. 1.1), culture dominates the other elements. Within culture as a dialectical system (Fig. 1.2), political economy dominates the other cultural elements.<sup>78</sup> *Within psychology as a subsystem (Fig. 1.3), cognition and language dominate the other psychological elements. Because culture dominates the other elements and subsystems, and political economy dominates culture, it follows that all the elements and subsystems are dominated by political economy.*<sup>79</sup> (my emphasis). For my elaboration and refining of Ratner's macro cultural psychological approach I take this dominance as point of departure.

One of the points Ratner emphasizes is the 'dialectic of functionalism'. Activity is functional to structure, and structure requires and encourages activity in order to function. (Ratner, 2012: 69). "The dialectic of functionalism avoids the twin errors of reifying structure (denying individual activity/agency) and defining activity in individualistic terms, as an individual act for the individual's benefit (without social constraints and direction). The functionalist dialectic replaces these twin errors with a notion of social activity, or social agency that integrates activity and agency within a social system." (Note by Ratner: This appears impossible or oxymoronic only from an individualistic point of view that divorces the individual from systems. It is the individualistic viewpoint that makes systems appear antithetical to individuals, and vice versa).

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77 See B. Ollman's "Dance of the Dialectic. Steps in Marx's method (2003), Ch. 5, Putting Dialectics to Work: The Process of Abstraction in Marx's Method, p. 71: 'In any organic system viewed over time, all the processes evolve together. Hence, no process comes first, and each one can be said to determine and be determined by the others. However, it is also the case that one process often has a greater effect on others than they do on it, and Marx also uses "cause" and especially "determine" to register this asymmetry. Thus, in the interaction between production, distribution, exchange, and consumption – particularly though not exclusively in capitalism – production is held to be more determining.'

78 See the seminal work of Robert W. Cox, notably "Production, Power, and World Order. Social Forces in the Making of History", 1987, considering the power relations in societies and world politics from the angle of power relations in production, Preface, page ix.

79 See also Lilie Chouliaraki and Norman Fairclough in their "Discourse in Late Modernity" (1999, p. 23): "In seeing all practices as practices of production, the aim is not to reduce the whole of social life to economic production or something analogous to economic production, but on the contrary to overcome the misleading idea that production is purely economic by insisting that people produce their social world in all their practices (Collier 1994). So 'production' has to be understood in a very broad sense."

The issue of agency and structure will be addressed more detailed in my engagement with the cultural political economy perspective of Ngai-Ling Sum and Bob Jessop, the 'discursive turn' of Jessop's (and Colin Hay's) strategic-relational approach (SRA)<sup>80</sup> and the theorizing of the 'transnational' by scholars linked to the so-called 'Amsterdam School' like Bastiaan van Apeldoorn or Otto Holman. Notably the last-mentioned author's work on the transnationalization of Spain proved to be an invaluable source for my theoretically informed historiography of 'the Mondragon experience'. His historical-materialist approach fits well in Ratner's macro cultural psychological as well as Sum's and Jessop's cultural political economic perspective regarding the issue of agency and structure. I will return on this issue below.

### *Dialectic systemic philosophy and the need for qualitative, systemic change*

Finally, I would like to point at the crucial importance of 'change' in Ratner's historical, dialectic approach to (macro) cultural psychology.

"Systemic change is a dialectical concept"<sup>81</sup>. (emphasis HW). It requires first acknowledging the full weight of the system on any element that one desires to change. One must appreciate (and marvel at) the excruciating power of the system on the part – how the system has maneuvered to sustain the part through a complex scaffold. Only then can one begin to figure out a complex plan to attack the systemic scaffold. Comprehending the system provides ammunition for changing it. Without fully appreciating the system that sustains each element, efforts to change an element will be naïve and futile. Derogating systems (and systemic philosophy) as reified or mechanical or fictitious contributes to one's ignoring the full weight of systems that must be changed. Derogating systems retards effective change rather than promoting it." (Ratner, 2012: 74).

According to the author systems theory has radical social implications for transforming established institutions. In contrast, atomistic ontology, as exemplified in the positivistic notion of a variable, builds in the assumption that variables are qualitatively fixed and vary only quantitatively. This is 'a conservative politics, for it admits only quantitatively, piecemeal changes in existing forms of institutions.' (Ratner, 2012: 74). In point 24 he states: '*Emphasizing the possibility and need for systemic change is disconcerting to the status quo*'.

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80 See notably the article "What Place for Ideas in the Structure-Agency Debate? Globalization as a 'Process Without a Subject', by Colin Hay, originally published by First Press: Writing in the Critical Social Sciences (2001).

81 The topic of (systemic) change is one of the theoretical linkages between Ratner's macro cultural psychology approach and Norman Fairclough's approach to critical discourse analysis, see Fairclough's 'Discourse and Social Change', 1992, Cambridge: Polity Press.

*'The status quo cannot abide widespread, systemic, homogeneous change. It can tolerate piecemeal changes in a few scattered elements – especially peripheral ones – that may squeeze in next to, and coexist with, established elements. However, the status quo cannot accept sweeping changes that revolutionize the entire system and change its elements, including its revered, dominant ones.'*<sup>82</sup>

### **2.1.6 Psychology as the subjective side of culture: the uniqueness of human culture**

The author starts with 'the obvious observation that human achievements are incomparable to animals. Nothing in the animal world is remotely analogous to human achievements such as medicine, computers, religion, churches, scientific discoveries, painting, books, telecommunications, the World Bank, the United Nations, and nuclear bombs.'

Expressing the uniqueness of human culture, Tomasello, Carpenter, Call, Behne, and Moll<sup>83</sup> (2005, p. 675) state: "Humans are the world's experts at culture. Humans do not just interact with conspecifics socially, as do many animal species, but they also engage with them in complex collaborative activities such as making a tool together, preparing a meal together, building a shelter together, playing a cooperative game, collaborating scientifically, and on and on. These collective activities and practices are often structured by shared symbolic artifacts, such as linguistic symbols and social institutions, facilitating their 'transmission' across generations in ways that ratchet them up in complexity over historical time."

The only way you can maintain animal mechanisms in human behavior is to deny differences between human and animal behavior. You must either deny human achievements and reduce them to animal behavior or elevate animal behavior to the level of human achievements. Both actions are obviously invalid. (Ratner, 2012: 82).

In this chapter Carl Ratner constructs his argument that culture is a qualitative new order of reality that has novel and distinctive properties. These novel and distinctive properties require, elicit, and support ("select for") novel and distinctive behavioral mechanisms and capacities. This is what psychology is – a novel behavioral mechanism that has distinctive capacities suitable to constructing and maintaining culture. Psychology is the subjective side of culture. All the superior capacities of human psychology – to think, imagine, plan, create, analyze, communicate, understand, learn, and remember – are rooted in psychology's participation in culture. (Ratner, 2012: 82).

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<sup>82</sup> I will turn to this topic of systemic change and status quo in addressing Chenu's account of the social doctrine of the Catholic Church functioning like ideology.

<sup>83</sup> Tomasello, M., Carpenter, M., Call, J., Behne, T., & Moll, H., 2005. Understanding and sharing intentions. *The origins of cultural cognition. Behavioral and Brain Sciences*, 28, 675-735.

Because cultural life is a qualitatively new order with new properties, it introduces four novel qualitative disjunctions in behavioral processes:

1. Human cultural psychology is qualitatively different from animal behavior.
2. Acculturated adult psychology is qualitatively different from infant behavior.
3. Biological processes play a different role in cultural psychology (of human adults) than they play in noncultural organisms' behavior (e.g., animal and infant behavior).
4. Human cultures are qualitatively different from one another. Cultural psychology is qualitatively different in different social conditions; it manifests differences in complexity and sophistication as well as content.

### **2.1.7 A general definition of culture**

To explain how psychology is part of culture and is geared to culture's characteristics, Ratner begins his discussion of cultural psychology with an introductory definition of culture.

Culture consists of several levels. The author shall unfold these throughout his book. He begins with *general* features in this chapter and elaborate more *concrete* features in chapters 3 (Macro Culture and Psychology) and 5 (Concrete Macro Culture and Psychology). With each set of cultural features, Ratner explains corresponding features (levels) of psychological phenomena. Using emotions to illustrate this process, in this chapter he explains how human emotionality, in general is stimulated by general features of cultural interaction and communication – e.g., human emotions are emergent psychological phenomena that are stimulated by the organized form of human culture. This general form of culture alters the way biological processes relate to emotions.

In reality, all levels of culture and psychology are integrated. While levels of abstraction are real, they do not exist independently from one another. Accordingly, my discussion of any one level necessarily refers to others for fuller understanding.

'If we look at examples of culture – "Jim Crow culture", "school culture", "the culture of high finance", "coal miner culture"<sup>84</sup>, "Court culture of the aristocracy", "working class culture"- we see that they are coordinated, regularized, predictable, instructed, trained (practiced, learned), ordered/organized, cohesive(consistent), administered, sanctioned, objectified, enduring, institutionalized, intentional/conscious, constructed/produced, variable behavior. Humans craft culture by design; we can change it voluntarily and rapidly (e.g.,

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84 See 'The Shadow of the Mine', 2021, by Huw Beynon and Ray Hudson, for a powerful study of 'coal miner / working class culture' in two different coalfields in Britain: Durham and South Wales.

decide to pass new laws that stipulate new kinds of behavior and ban old kinds). Human culture is artificial and crafted, as opposed to being programmed by natural/biological mechanisms. Cultural behavior is an artifact, just as its products (tools, instruments, shelter, food) are. (Ratner, 2012: 84; underlined HW).

These unique characteristics of cultural behavior give it enormous adaptive advantage for survival. They provide humans with strength, stability, regularity, flexibility, and social support. Cultural behavior provides us with extraordinary strength by combining the skills of numerous individuals in coordinated action in which people are working for a common goal with joint intentionality. Being an artificial product of human design, culture is something we control and improve. We cannot control nature (rain, heat, cold), but we can protect ourselves from vagaries in nature by constructing a cultural system within nature.

The artificial nature of culture militates against any natural explanation of culture or behavior. (underscored HW). Natural mechanisms produce behavior suited to the natural environment. They are not designed for cultural behavior and cannot produce the artificial behavior that is the essence of culture.

Culture is a world within a world, a social world within the natural world. Our food supply, for example, depends primarily upon the economic system in which we live. The recent food crisis in Africa and Asia is due to the rising price of rice and corn, which makes those products unaffordable for many people in those countries. And the price is a function of other economic decisions, such as the choice to use corn for making fuel, which made less corn available for food. The reduced supply of corn and rice for food was not a function of natural causes. The culturally constructed economic system replaces the natural supply of food as the determinant of how much food is available for people to eat.

Nature is outside us and inside us. Culture mediates both of these loci. It mediates our external interactions with nature (e.g., earthquakes, food sources, trees, animals, air, water, oil) and it mediates our internal relation to our own biology (e.g., our hormones, sense organs, motor organs, cortical processes, physical disabilities). Our own biology does not directly determine our behavior any more than the external natural environment does. As Vygotsky said, "*Man overcomes nature outside himself, but also in himself, this is – isn't it – the crux of our psychology and ethics*" (cited in Bakhurst<sup>85</sup>, 2007, p. 65). Human culture is an emergent system irreducible to individual, physical, or personal behavior.

An example of culture as an emergent system is a national banking system. It consists of rules, symbols, language, and artifacts that constitute a realm unto itself. The

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85 Bakhurst, D., 2007. Vygotsky's demons. In H. Daniels, M. Cole, & J. Wertsch (Eds.), *The Cambridge companion to Vygotsky* (pp. 50-76). New York: Cambridge University Press.

organization of this emergent realm determines the value of money that people hold. When a government prints up a lot of extra money, the value of its currency falls, and all the individuals holding that currency can buy fewer items. This is a rule of the financial system that affects millions of individuals but is not made or controlled by them. The currency is not devalued because the millions of money holders did something; rather, it is because elite bankers and manufacturers did something. The financial system is an emergent system with its own rules, mechanisms, language, and artifacts. It is the interaction of these that determines the value of money and the population's standard of living. This has nothing to do with any natural functions or personal issues.

Culture is a unique environment in that it is constructed by its constituency. Humanly produced culture expresses human purposes. Vygotsky (1999) explained this in his essay "Tool and Sign in The Development of The Child" (written in 1930). He shows how humans imbue natural objects with social significance to make them "ours". "This internal merging of the sign and the tool that found a material symbolic expression in the primitive digging stick indicates that... *this stick differs from the stick of a monkey in a very radical way...*" (p. 63, emphasis by Carl Ratner). The stick the monkey uses remains a natural object, alien to the user. The stick the human uses has become enculturated with cultural signs and is thereby made into a human artifact. The environment in which humans live is a human environment. This gives humans an intrinsic organic relation with their cultural environment. We are culture, and culture is us. (p. 86).

While psychology actively constructs and maintains its environment, it does not do so freely or unconditionally; it is always constrained by conditions. These include historic customs, current artifacts, institutionalized structures and habits, ideological concepts, cognitive limitations, and viable (objective) possibilities of the status quo for change. One cannot make the status quo into anything one wishes; only certain possibilities are emergent from a particular structure.<sup>86</sup>

Another conditioning, constraining aspect of culture is that the culture that people construct forms a structure that constrains their behavior/psychology. The structure outruns the individuals who created it; it imposes constraints on them; it is not the mere sum of individual acts that can spontaneously renegotiate one another and alter culture. As I mentioned in the Preface, culture is determinable determinism: people determine it but it also determines them. People construct culture to organize their behavior in objectified, collective forms that provide greater strength and resources than they can achieve as individuals. This is the dialectic of culture and the individual: the individual

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86 See the book *Het Establishment* (Owen Jones, 2015, Berchem: Uitgeverij EPO, translated in Dutch by Staf Henderickx and Guy Jacobs). Original published in 2014 titled as *The Establishment*. And *How They Get Away With It* by Allen Lane, London. Owen describes the constraining power of the British establishment.

organizes and participates in culture in order to derive benefits from culture, and this entails the individual subordinating self to collective, objectified culture. Culture provides a new, superior form of individuality and freedom – a collective individuality and freedom.

Culture is not only the external environment in which we live and locate resources. Culture constitutes our behavior; it is the operating mechanism of behavior, inside behavior.

Ratner claims that cultural adaptation is more efficient than evolution, which must run through numerous sequences of blind trial-and-error genetic changes before some are found to be suitable in the new environment. Moreover, it takes many generations of random changes in individuals before a species is significantly developed. In contrast, human culture generates immediate, collective change because the individuals are formed into groups. When the government passes new legislation, the entire group changes as a result. New tax codes or interest rates or educational requirements affect individuals in a top-down manner. Change in animal groups/species occurs in reverse, bottom-up fashion as individual changes accumulate, and the unsuccessful individuals die out over many generations. Vygotsky (1999) noted this: "man enters in into a substantially new relation with the environment, comes to a new functional exploitation of elements and directs and controls his own behavior, *controls himself from outside*, compelling stimuli-signs to affect him, and elicit reactions that he desires. *Internal regulation of goal-directed activity arises initially from external regulation*. Reactive action, elicited and organized by man himself, ceases being reactive and becomes goal-directed." (p. 63, emphasis CR).

Culture that determines human behavior is determined by humans. This complex dialectic does not exist with animals and their natural environment.

It is unscientific and illogical to conflate the animal/natural and the human/cultural systems – that is, to pretend that the international monetary system is somehow analogous to the way in which monkeys distribute food, for instance.

### **Psychology is cultural: Darwinism par excellence**

Ratner writes: 'My argument that psychology is cultural is a Darwinian argument. Darwinism is a strong form of environmental selecting of behavioral mechanisms. Since culture is a distinct and powerful environment, it must select for distinct behavioral capacities and mechanisms that are congruent with cultural features. Humans' behavior is as different from animals' as culture is from nature, and vice versa'. (p. 89).

According to Ratner “naturalistic theories of psychology such as evolutionary psychology are false (Popper, 1974<sup>87</sup>, pp. 259, 266-268, 273-274). Luria (1976<sup>88</sup>, pp. 5-6) stated, “The evolutionary approach, which was quite valid for a comparative study of mental development in the animal world, found itself in something of a blind alley when it tried to study evolution of human mental activity.”

Kroeber (1928)<sup>89</sup> expressed the fallacy of reducing human behavior to biological processes when he said, “Darwinism is often spoken of as allied to anthropological thought. There is no specific connection. The one deals with biological phenomena and processes; the other begins where these leave off. The common element is the wholly generic concept of evolution, equally applicable in astronomy and geology. Organic evolution is essentially *modificatory* (the organism is modified into a new species), cultural evolution is *cumulative* (within the same species of homo sapiens sapiens). The one is bound up with heredity, the other in principle is free from it. The similarity is merely a loose analogy, and the Darwinian point of view has retarded and confused the understanding of culture” (Ratner, 2012: 89, my emphasis).

### **General features of culture and general features of psychology: dialectical interdependence.**

The unique features of the human cultural environment elicit, require, and support unique behavioral mechanisms known as psychology in order to produce these unique cultural features. Psychological phenomena have the features of culture, which we enumerated earlier. This must be true for psychology to be the subjective side of culture. Culture is thus the impetus of psychology, but it is also dependent on psychology for its existence. This is the dialectic at the heart of culture. (Underlined HW). Psychology develops because it participates in the broad, complex, manufactured, coordinated behaviors that are culture. “Cumulative cultural evolution is the explanation for many of human beings’ most impressive cognitive achievements” (Tomasello<sup>90</sup>, 1999, p. 7).

Psychology and culture go hand in hand; they evolved together. Culture and psychology are different sides of the same coin. They are not separate entities that intersect or interact. Using terms like temporarily and occasionally. Psychology does not arrive at culture at a

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87 Popper, K., 1974. *Scientific reduction and the essential incompleteness of all science*. In F. Ayala & T. Dobzhansky (Eds.), *Studies in the philosophy of biology: Reduction and related problems* (pp. 259-284). Berkeley: University of California Press.

88 Luria, A., 1976. *Cognitive development: Its cultural and social foundations*. Boston: Harvard University Press.

89 Kroeber, A., 1928. *The anthropological attitude*. *The American Mercury*, 13(52), 490-496.

90 Tomasello, M., 1999. *The cultural origins of human cognition*. Cambridge, MA: Harvard University Press.

certain point for a designated time and then move past it. Psychology is in culture all the time; culture is its essence, *raison d'être*, impetus, organizing framework, and support structure. When we examine the details of cultural behavior that we enumerated in an earlier section, we can see that they entail psychology and require psychology of a particular kind. They require imagination, planning, active construction/production, administering, teaching/learning (van Schalk<sup>91</sup>, 2004), conceptual understanding, communication, symbols, and joint intentionality. These psychological phenomena are part and parcel of culture.

“Superorganic” (in Kroeber’s sense) collective institutions and concepts entail joint consciousness. The act of forming a collective cultural group includes forming a general, common purpose that all work to realize. The individuals devise a purpose that is broader than any one of them, which unifies them together and subordinates their differences to a collective strength that supports all the members. This common purpose includes merging self/behavior/consciousness with those of others in group action, joint intentionality, collective agency, and collective rationality (Elber-Vass<sup>92</sup>, 2007; Pettit & Schweikard<sup>93</sup>, 2006; Ratner<sup>94</sup>, 2008b). Tomasello<sup>95</sup> (2008, p. 73) states this well: “The basic psychologic underpinning of the ability to participate with others in acts of shared intentionality, including communicating with them in human-like ways, is the ability to engage with others in a human-like cooperative manner.” Forming joint intentionality is a cultural process; it is not natural. It requires a massive transformation in the life activity of animals, which is primarily individualized.

“Cultural processes...took existing individually based cognitive skills – such as those possessed by most primates for dealing with space, objects, tools, quantities, categories, social relationships, communication, and social learning – and transformed them into new, culturally based cognitive skills with a social-collective dimension. These transformations took place not in evolutionary time but in historical time.” (Tomasello<sup>96</sup>, 1999, p. 7).

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91 Van Schalk, C., 2004. *Among orangutans: red apes and the rise of human culture*. Cambridge, MA: Harvard University Press.

92 Elber-Vass, D., 2007. *Social structure and social relations*. *Journal for the Theory of Social Behavior*, 37, 463-477.

93 Pettit, P., & Schweikard, D., 2006, *Joint action and group agents*. *Philosophy of the Social Sciences*, 36, 18-39.

94 Ratner, C., 2008, *Methodological individualism and holism*. In *Sage Encyclopedia of Qualitative Research Methodology*. Thousand Oaks, CA: Sage.

95 Tomasello, M., 2008. *The origins of human communication*. Cambridge: MIT Press.

96 Tomasello, M., 1999. *The cultural origins of human cognition*. Cambridge, MA: Harvard University Press.

Coordinating behavior similarly entails the ability to understand others' intentions (e.g., theory of mind, social referencing). Animals do not have developed theories of mind and joint intentionality because they do not cooperate in fundamental ways. "Despite some observations suggesting that some nonhuman primates in some situations are capable of understanding conspecifics as intentional agents and of learning from them in ways that resemble some form of human cultural learning, the overwhelming weight of the empirical evidence suggests that only human beings understand conspecifics as intentional agents like the self, and so only human beings engage in cultural learning" (Tomasello, 1999, p. 6).

This is a telling example of how culture elevates human psychology above animal faculties. "The crucial difference between human cognition and that of all other animal species is the ability to participate with others in collaborative activities with shared goals and attentions shared intentionally. Participation in such activities requires not only especially powerful forms of intention reading and cultural learning, but also a unique motivation to share psychological states with others and unique forms of cognitive representation for doing so." (Tomasello et al.,<sup>97</sup> 2005, p. 675). Cultural participation elevates intentionality, motivation, and cognitive representation.

### **The act of participating in culture generates psychology**

Because culture is central to the panoply of our life activities – indeed culture *is* our life form, our species-being – cultural capacities must be central to our behavioral functions. Our behavior must be informed by cultural capacities so that our behavior will be cultural. Cultural behavior cannot be generated by noncultural functions and mechanisms. *The mechanisms and functions that generate cultural behavior must be cultural mechanisms.*

Culture is not a by-product or after-effect of noncultural functions and mechanisms – this would be impossible. If our behavioral mechanisms were a-cultural – that is, natural or personal – they would lack the features necessary to generate cultural behavior.

"Although each person's experience of emotion has idiosyncratic features, culture shapes the occasion, meaning, and expression of affective experience. Love, pity, indignation, and other sentiments are socially shared patterns of feeling, gesture, and meaning..." (Gordon<sup>98</sup>, 1981, pp. 562, 563; Mesquita<sup>99</sup>, 2007).

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97 Tomasello, M., Carpenter, M., Call, M., Behne, T., & Moll, H., 2005. *Understanding and sharing intentions: The origins of cultural cognition. Behavioral and Brain Sciences*, 28, 675-735.

98 Gordon, S., 1981. *The sociology of sentiments and emotion. In M. Rosenberg & R. Turner (Eds.), Social psychology: Sociological perspectives (pp. 562-592). New York: Basic.*

99 Mesquita, B., 2007. *Emotions are culturally situated. Social Science Information*, 46, 410-415.

Carl Ratner emphasizes the difference between animal and human emotions. Animal emotions are sensory processes that respond to purely sensory stimuli such as noise, color, scent, or the sight of a dead group member. Human emotions must have a different operating mechanism to respond to abstract, distant, ideational events (e.g., emotions about the death of Princess Diana of Great Britain). "The student's fear of getting a low grade is entirely different from a mouse's fear of seeing a cat." (p. 92).

If emotions were only sensitive to sensory colors or odors (which generate fear in animals), they would not relate to complex cultural factors such as school rules. The cultural factors that enhance our survival and fulfillment would then be unsupported by behavior.

Because cultural life is intricate and complex, emotions that are stimulated, required, organized, and supported by cultural life must be complexly nuanced (Mesquita, 2007).

The psychology of violence is cultural, just as the psychology of emotions is. The mechanisms of violence and emotions are cultural; they are not natural mechanisms with roots in animal processes and behavior. Human violence becomes a deliberate, conscious, intellectual activity based on geo-political-economic-religious-military-ethical considerations and calculations. This was clearly the case with the Inquisition, the Spanish conquest of the Americas, and the American invasion of Iraq in 2003 – none of these had anything to do with defending one's individual survival, propagating one's genes, defending territory, responding to frustration or a build-up of aggressive impulses.

For example, learning in school is completely different from animal learning by trial and error or even by observation of simple behaviors. Learning in school involves explanation by the teacher of concepts and examples: "This is how we do addition... This is an example of a redwood tree. It has these four distinguishing features..." The object of learning is conceptualized; it is not simply pointed to. Learning involves learning the concept, not simply the overt, sensory features. Learning is taken up in social life and invested with social concepts. There is no analogy of this deliberate, conceptual, verbal instruction in animal learning.

Vygotsky and Luria<sup>100</sup> (1993, p. 170) explained this important point as follows: "behavior becomes social and cultural not only in its contents (i.e., what we think about) but also in its mechanisms, in its means... A huge inventory of psychological mechanisms – skills, forms of behavior, cultural signs, and devices – has evolved in the process of cultural development."

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100 Vygotsky, L.S., & Luria, A., 1993. *Studies in the history of behavior: Ape, primitive, child*. Hillsdale, NJ: Erlbaum. (Original work published 1930).

On a basic level, cultural construction may be said to create the “mental space” that is necessary in order for psychology to develop. The separation of behavior from impulse enables the organism to form a symbolic image, or idea, of the object before acting (Greenspan & Shanker<sup>101</sup>, 2004, pp. 36-37; Vygotsky<sup>102</sup>, 1978, pp. 26, 35, 40, 49-51). This is the origin of consciousness, the mind, and psychology.

I propose that the cultural existence of people also generates self-reflection. Because human behavior is formed in group activities, it stands outside the individual. (p. 94). Self-reflection does not simply derive from internalizing the gaze of others on oneself; it is more profoundly rooted in the fact that the self is integrated in a collective that transcends itself. Self, itself, is part of something grander than itself. The full self transcends the individual – the individual is only a small part of the self. There is a multiplicity built into the self: it is itself and more than itself (i.e., the collective). It is this dialectic of the individual-social self that enables the individual self to reflect on the broad, collective self of which it is a part.

Since the individual self is part of the collective self, when the individual reflects on the collective, it is an instance of self-reflection. This is the social basis of self-reflection.

This gives the sense that self can be outside self, as the individual self reflects on self-in-group. This sense of self outside self becomes internalized so that self reflects on self within the body. As Vygotsky says, psychology is the internalization of social relations. (underlined HW).

Cultural coordination is also the impetus for communicating information. The coordination of behavior requires the gathering of information about different situations in the division of labor. Indeed, our word for sharing ideas and words originally referred to the sharing of practical duties: *communication* derives from the Latin roots *com* (share) and *munia* (duties).

As Vygotsky said: “Social interaction based on rational understanding, on the intentional transmission of experience and thought, requires some system of means. Human speech, a system that emerged with the need to interact socially in the labor process, has always been and will always be the prototype of this kind of means”. (Vygotsky<sup>103</sup>, 1987, p. 48). “The initial function of speech is social, that of social interaction and social linkage” (Vygotsky,

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101 Greenspan, S., & Shanker, S., 2004. *The first idea: How symbols, language, and intelligence evolved from our primate ancestors to modern humans*. Cambridge, MA: Da Capo Press.

102 Vygotsky, L.S., 1978. *Mind in society: The development of higher psychological processes*. Cambridge, MA: Harvard University Press.

103 Vygotsky, L.S., *Collected works (Vol. 1)* New York: Plenum. .

1987, p. 74). Elias<sup>104</sup> (1978, p. 117) similarly said, “[S]peech is nothing other than human relations turned into sound.” According to Tomasello<sup>105</sup> (2008), “Human cooperative communication was adaptive initially because it arose in the context of mutualistic collaborative activities in which individuals helping others were simultaneously helping themselves...The intimate relation between collaborative activities and cooperative communication is most readily apparent in the fact that they both rely on one and the same underlying infrastructure of recursively structured joint goals and attention.”

Conversely, the psychological faculty of language allows for sharing information rapidly across great distances and thus facilitates complex coordination of diverse behavior. Social coordination – which benefited all the individuals in the relevant group – was thus an impetus for refining language (i.e., vocabulary and grammar). (Ratner, 2012: 95).

According to Ratner ‘fifty thousand years ago is when *Homo sapiens sapiens* emerged with their superior cognitive abilities, tools, and social life (Ratner<sup>106</sup>, 2006a, p. 68). Language and cultural cooperation go hand in hand; both are central to the emergence of modern humans.”

Ontogenetic evidence confirms that cultural activity is central to language acquisition:

Following Wittgenstein’s general approach, Bruner claimed that the child acquires the conventional use of linguistic symbol by learning to participate in an interactive format (form of life, joint attentional scene) that she understands first non-linguistically so that the adult’s language can be grounded in shared experiences whose social significance [she] already appreciates...To acquire language the child must live in a world that has structured social activities she can understand... The time a child spent in joint attentional engagement [ with the mother] and the mother’s tendency to “follow into” the child’s attentional focus when she used referential language predicted over half of the variance in children’s language comprehension and production during the period from 12 to 15 months of age. (Tomasello<sup>107</sup>, 1999, pp. 109-111).

While cultural participation is the impetus for communication, social communication, in turn, is the impetus for symbolic representation. Linguistic symbols make thinking orderly (rule bound), and objective. Symbols “form part of explicit rule-governed, conventional

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104 Elias, N., 1978. *The civilizing process: The history of manners*. New York: Urizen. (Original work published 1939).

105 Tomasello, M., 2008. *The origins of human communication*. Cambridge: MIT Press.

106 Ratner, C., 2006. *Cultural psychology: A perspective on psychological functioning and social reform*. Mahwah, NJ.: Erlbaum.

107 Tomasello, M., 1999. *The cultural origins of human cognition*. Cambridge, MA: Harvard University Press.

– normative systems. The elaborate combinatorial system of discrete and parsimonious material encodings makes language an efficient tool for putting complex ideas ‘out in the open’, allowing language users to share meaning and scaffold joint attention and actions (Tylen, et al.,<sup>108</sup> 2010, p. 6). Language directs and coordinates attention among individuals. It also makes elaborate thinking and communicating possible. It would be impossible to think the complex, elaborate, moving, structured ideas without language.

The vastness and abstractness of cultural factors is another key impetus for abstract concepts. Macro cultural factors cannot be known or managed by sensory impressions because they are too vast. One cannot see or hear a government, a war, a university, a transportation system, democracy, in toto. The entirety of cultural factors can be known only conceptually. In addition, cultural factors operate according to abstract rules that require (select for) abstract concepts.

“Abstraction is one of the most powerful tools that cultural development fosters in the mind of the human being...In the mind of the cultural person, abstraction is a necessary, integral part of any type of thought [or] thought process”<sup>109</sup> (Vygotsky & Luria<sup>110</sup>, 1993, pp. 192-193). Culture produces the mind; brain circuitry does not. The mind-body problem of how the physical body/brain produces mental, subjective qualia, is the wrong way to frame the origin of consciousness.

Vygotsky<sup>111</sup> (1987) explained the relation of communication and abstract concepts as follows: “To communicate an experience or some other content of consciousness to another person, it must be related to a class or group of phenomena. This *requires generalization*. *Social interaction presupposes generalization and the development of verbal meaning*; generalization becomes possible only with the development of social interaction” ( p. 48). Vygotsky is saying that social interaction entails cooperation and coordination among people. This forces us to consider an object or event in general terms that are communicable to other people.

Social life promotes generalization in another sense. Communication and coordination bring multiple perspectives together, thereby providing a multidimensional, comprehensive view of the object. The multiplicity of perspectives on a given object (or event) provides wholeness and definiteness to the object. The object endures beyond

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108 Tylen, K., Weed, E., Wallentin, M., Roepstorff, A., & Frith, C., 2010. *Language as a tool for interacting minds*. *Mind & Language*, 25, 3-29.

109 Ollman, B., 2003. *Dance of the Dialectics. Steps in Marx’s Method*. Ch. 5: *Putting Dialectics to Work: The Process of Abstraction in Marx’s Method*, pp. 59-112.

110 Vygotsky, L.S., & Luria, A., 1993. *Studies in the history of behavior: Ape, primitive, child*. Hillsdale, NJ: Erlbaum. (Original work published 1930).

111 Vygotsky, L.S., 1987. *Collected works (Vol. 1)*. New York: Plenum.

one's immediate perceptual experience of it because it exists for others beyond oneself. The social apprehension of an object objectifies it; sociality is thus key to objectivity. (p. 97). Construing objects in general terms also holds potential for innovation because it frees the object from a single viewpoint and use. Hegelians argue that abstractions are thus radical in the sense that they always imply more than a given appearance or perspective. A true abstraction incites the user to consider additional forms that a particular appearance or perspective could take.

True abstractions are thus politically important for suggesting alternatives to the status quo. Tomasello (2003)<sup>112</sup> explains this possibility inherent in abstract symbols: "Intersubjective and perspectival symbols that are learned and used in communicative interactions with other symbol users create the possibility of examining things from many different perspectives simultaneously... It is these kinds of thinking in which non-symbolic creatures are unable to engage. Tomasello emphasizes that cultural tools – that is, symbols – enable perspectival thinking and perception. We can see that there is a dialectical relationship between sociality, objectivity, definiteness, subjectivity, and flexibility: social interaction fosters a general sense of objectivity that is abstract in the sense of generalizing beyond a particular experience.

Subjectivity/agency/consciousness/psychology is also rooted in culture through the following sequence: cultural coordination inspires and requires communication, which inspires and requires abstraction, which inspires and requires symbols, which constitute the domain of the mental, the mind and the psychological. Culture does not 'influence' some primordial consciousness to add certain extrinsic elements to it; rather, culture forms consciousness:

[T]here is no privileging of nonlinguistic cognition as somehow the real thing – which we then see if language affects. It is preferable to simply say that cognition takes many forms depending on many factors, and one form – which is unique to the human species after 1 or 2 years of age – is *linguistic cognition* in which individuals structure their thinking by means of one or another historically evolved collection of intersubjective and perspectival symbols and constructions. *Language does not affect cognition; it is one form that cognition can take.* (Tomasello, 2003, p. 56, emphasis CR).

Carl Ratner argues that the human capacity for formal reasoning derives from social coordination and communication of activity. To coordinate and communicate about social activity, abstract concepts need to be constructed that encompass diverse individual

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112 Tomasello, M. (2003). *The key is social cognition*. In D. Gentner & S. Godin-Meadow (Eds.), *Language in mind: Advances in the study of language and thought* (pp. 47-57). Cambridge: MIT Press.

experiences. We need abstract, common terms that denote “animal”, “large”, “tree”, and “stream” so that we can mutually discuss our different experiences.

Vygotsky, Luria, and Leontiev made cultural requirements and processes the basis of human psychology. As I have mentioned, they regarded psychology as a novel, unique behavioral mechanism that not only is stimulated by social interaction (e.g., parents encouraging young children to pay attention, respond, and form words) but also embodies elements of cultural activities. Language and symbols, in particular, form the operating mechanism of psychological phenomena. Since language and symbols primarily exist to enable social communication and coordination, placing language as the operating mechanism of psychology makes psychology an extension of cultural activities.

Perception is not a natural process, perceptual mechanisms are cultural. Carl Ratner illustrates this with an example from the work of the Russian psychologist Alexander Luria on the perception of colors. Luria showed that perception depends on historically established human practices that can alter the system of codes used to process incoming information (Luria, 1976, p. 21; Ozgen & Davies, 2002). Tomasello (2003) explains that cultural symbols do not merely represent things; they represent a social perspective on things. “The intersubjective and perspectival nature of linguistic symbols creates a clear break with straightforward perceptual or sensorimotor cognitive representations” (p. 53).

Vygotsky, Luria, and Leontiev recognized that language was only one cultural element in forming psychology. More broadly, historical practices are the root of psychology. We have seen that social coordination is the impetus for communication/language. Language should not be constructed as the only cultural basis of psychology. Vygotsky (1999, p. 65) said, “For some psychologists, the old saying ‘in the beginning was the word’ still retains its validity. New studies, however, leave no doubt that the word does not stand at the beginning of the development of the child’s mind...Prior to speech, there is instrumental thinking. Practical intellect is genetically older than the verbal; action precedes the word, and even mental action precedes the mental word.”

### **General cultural features require general psychological capacities rather than specific, predetermined capacities**

Gentner (2003, p. 227) explained this clearly, by saying that the great evolutionary advantage of the human species is adaptability...To design a superbly adaptable species, one might best create one that begins with few biases beyond those necessary for mammalian life, that has a powerful general learning mechanism. In contrast to theories

that postulate that humans have more built-in knowledge and theory than other species, I suggest the reverse: if anything, we have less. Far from being a disadvantage, our relatively unbiased initial state allows us to learn whatever comes our way.

This “less is more” proposal correctly emphasizes the potentiating nature of human psychological capacity rather than its determining nature. A potentiating nature expands the possibilities of action while a determining nature narrows them to what is already pre-determined.

General potentiation, rather than specific determinism, holds even for language. Language is readily acquired by babies in so many different environments that it appears to be predetermined as a universal grammar, or language device. However, the vary variability of languages dictates that language capacity must be very general and abstract, rather than a set of specific grammatical rules.

Levinson (2003) explains this clearly: “Instead of expecting the biological endowment for language to predict all the interesting properties of observable languages, we need rather to think about it as a learning mechanism wonderfully adapted to discerning the variability of culturally distinctive systems” (p. 27). Levinson clearly links general potentiation to psychological /behavioral variability, which is the essence of culture. We are the only known species whose communication system is profoundly variable in both form and content. So, *we can't have the same kind of theory for human that we have for bee or even monkey communication*; fixed, innate schemas are not going to give us a full explanation of language. (Levinson, 2003<sup>113</sup>, pp. 28-29, emphasis CR).

Vygotsky (1987) debunks the notion of an innate language capacity (universal grammar) by observing that “[t]he internal relationships between thought and word with which we are concerned are not primal. They are not something given from the outset as a precondition for further development. On the contrary, these relationships emerge and are formed only with the historical development of human consciousness. They are not the precondition of man's formation, but its product” (p. 243)<sup>114</sup>, (underlined HW).

It is essential to emphasize the cultural basis of psychological phenomena whenever we seek to explain and describe them. Their cultural basis, character, and function must

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113      Levinson, S. (2003). *Language and mind: Let's get them straight*. In D. Gentner & S. Goldin-Meadow (Eds.), *Language in mind: Advances in the study of language and thought* (pp. 25-46). Cambridge: MIT Press.

114      See “The myth of language universals: Language diversity and its importance for cognitive science”, article by Nicholas Evans and Stephen C. Levinson, in: *Behavioral and Brain Sciences* (2009), 32, 429-492.

always be brought into explanatory constructs and descriptors. Other elements may be brought in as well, but as supplements to the cultural elements.

It is important to emphasize the cultural basis of even abstract aspects of psychology (e.g., intentionality, activity, agency, abstract symbolic thinking, self-consciousness, creativity, language, conscious emotions, and perception). Doing so corrects the tendency to misconstrue these aspects as natural. However, the real reason they are universal is that they partake of cultural features that are universal to all human social life. *Universal* and *general* are not synonymous with *natural*.

### **Psychological theories of culture invert cultural psychology**

Some cultural psychologists attempt to explain culture using natural, universal psychological principles. They essentially invert the relation between culture and psychology: instead of culture being the impetus for and structure of psychology, psychological principles and mechanisms structure culture. (Underlined HW). This denies the formative and enriching role that culture plays in psychology; it really decimates culture altogether. An instructive example is Malley and Knight's (2008) article "*Some Cognitive Origins of Cultural Order*" in which they propose a three-step model.

In summary, culture is coherent because its concepts are consistent, because this is satisfying to the mind, because it is the most efficient use of mental energy. This model is noteworthy because it explains culture in noncultural terms. Coherent culture (i.e., interrelated cultural concepts) is an indirect by-product of individual psychophysics that preserve the individual's cognitive energy. This model may be called "*psychic thermodynamics*", or *thermopsychology*, because it construes mind as a system of energy that operates according to certain psychophysical (thermodynamic) principles. This analogy is never substantiated; it is a metaphor for the capitalist principle of maximizing return on investment.

This model reduces culture to the mechanical association of similar ideas to minimize mental energy. Individuals do not actually collaborate collectively at all; they individually latch onto ideas that resemble what they already believe. In this model, the individual benefits as an individual from culture.

### **The antinomy of cultural psychology and biological determinism (naturalism)**

If psychology is the subjective side of culture and has cultural properties including intentionality, volition, flexibility, abstractness, planning, coordination, administration,

imagination, and creativity in envisioning and producing cultural factors, then it cannot be biologically determined.

*Biological determinism* means that properties of biological processes determine the form and content of behavior. Psychobiologists look specifically for this kind of determinism. They speak of serotonin predisposing people toward various adverse behaviors; they speak of genes predisposing one to be intelligent or not; they speak of testosterone predisposing men toward violence. Ratner sees two difficulties in this vision. First, they contradict the cultural basis, character, and function of psychology as he outlined earlier in this book. They limit (diminish) these cultural aspects because they are entirely different. Second, there is no scientific way to account for such coexistence of radically different mechanisms. It would be like having two different switches going on and off. What determines when each one goes on and off? If the violent switch went on when the individual was trying to cooperate, it would still diminish it. Conversely, cooperation would dampen the violent tendency and cause stress to the organism. Interaction is, thus, not a solution. (underlined HW). When psychologists speak about the percentage of behavior that is determined by different, interacting factor, they never explain the mechanism of interaction; they simply postulate amounts of influence. They never explain just how two antithetical mechanisms can coexist.

*This is why Vygotsky proposed a radical formulation that eliminated interactionism.* (emphasis HW). He proposed that on the human level, culture is the sole determinant of psychology/behavior. Because biological programs contradict the nature of cultural processes, they are jettisoned. They do not interact with cultural influences on behavior/psychology.

*Vygotsky made this point the core of his thinking: "The nature of the development itself changes, from biological to socio historical. Verbal thought is not an innate, natural form of behavior, but is determined by historical-cultural process and has specific properties and laws that cannot be found in the natural forms of thought and speech.* (emphasis HW). Once we acknowledge the historical character of verbal thought, we must consider it subject to all the premises of historical materialism, which are valid for any historical phenomenon in human society. It is only to be expected that on this level the development of behavior will be governed essentially by the general laws of the historical development of human society" (Vygotsky<sup>115</sup>, 1986, pp. 94-95).

***Culture and psychology are different sides of the same coin. A dialectical interdependence.***

According to Ratner culture is the impetus of psychology, but it is also dependent on psychology for its existence. This is the dialectic at the heart of culture. (Ratner, 2012: 89).

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115 Vygotsky, L.S., 1986. *Thought and language*. Cambridge: MIT Press.

The dialectic of culture and psychology is that culture requires psychology to construct it, and psychology requires culture as its impetus and support system. Both moments make culture central to psychology. Cultural features are not marginal additions to psychology; they are its essence – they are intrinsic to it from the outset, and they are what psychology is all about.

***Subjectivity/agency/consciousness/psychology rooted in culture. Language and symbols.***

Ratner demonstrates this by the following sequence: cultural coordination inspires and requires communication, which inspires and requires abstraction, which inspires and requires symbols, which constitute the domain of the mental, the mind, and the psychological. It is only after humans develop cultural symbols for the purpose of communicating and coordinating that they can utilize these symbols as their mental means or psychological operating mechanisms.

Gentner and Christie<sup>116</sup> (2008) demonstrate that human's cognitive competencies (intelligence, problem solving, and comprehension) depend on their ability to grasp relationships among things, which is fostered by language, or social communication. "Language facilitates the learning of relational concepts which then serve as cognitive representations" (Gentner & Christie, 2008:137). The discussion reveals, according to Ratner, that cultural behavior and its products – institutions, artifacts, concepts, language, and symbols – are the basis of psychology/subjectivity/consciousness/agency in a variety of ways. Culture does not "influence" some primordial consciousness to add certain extrinsic elements to it, rather, culture forms consciousness:

[T]here is no privileging of nonlinguistic cognition as somehow the real thing – which we then see if language affects. It is preferable to simply say that cognition takes many forms depending on many factors, and one form – which is unique to the human species after 1 or 2 years of age – is *linguistic cognition* in which individuals structure their thinking by means of one or another historically evolved collection of intersubjective and perspectival symbols and constructions. *Language does not affect cognition; it is one form that cognition can take.* (Tomasello, 2003, p. 56, emphasis Ratner).

Carl Ratner argues that the human capacity for formal reasoning derives from social coordination and communication of activity. To coordinate and communicate about social activity, abstract concepts need to be constructed that encompass diverse individual experiences. We need, he writes, abstract, common terms that denote "animal", "large", "tree", and "stream" so that we can mutually discuss our different experiences.

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116 Gentner, D., & Christie, S., 2008, *Relational language supports relational cognition in humans and apes. Behavioral and Brain Sciences*, 31, 136-137.

'Vygotsky, Luria, and Leontiev made cultural requirements and processes the basis of human psychology. As I have mentioned, they regarded psychology as a novel, unique behavioral mechanism that not only is stimulated by social interaction (e.g., parents encouraging young children to pay attention, respond, and form words) but also *embodies* elements of cultural activities.

Language and symbols, in particular, form the operating mechanism of psychological phenomena. Since language and symbols primarily exist to enable social communication and coordination, placing language as the operating mechanism of psychology makes psychology an extension of cultural activities.' (Ratner, 2012: 100).

Tomasello<sup>117</sup> (2003) explains that cultural symbols do not merely represent things; they represent a social perspective on things. "The intersubjective and perspectival nature of linguistic symbols creates a clear break with straightforward perceptual or sensorimotor cognitive representations." (Tomasello, 2003: 53).

Vygotsky, Luria, and Leontiev recognized that language was only one cultural element in forming psychology. More broadly, historical practices are the root of psychology. We have seen that social coordination is the impetus for communication/language. Language should not be construed as the only cultural basis of psychology. Vygotsky<sup>118</sup> (1999, p. 65) said, "For some psychologists, the old saying 'in the beginning was the word' still retains its validity. New studies, however, leave no doubt that the word does not stand at the beginning of the development of the child's mind... Prior to speech, there is instrumental thinking. Practical intellect is genetically older than the verbal; action precedes the word, and even mental action precedes the mental word."

According to Ratner, Donald<sup>119</sup> (1991) makes a convincing argument that symbolic processes, and psychological functions in general, have a practical social basis: "Language is usually placed at the top of the cognitive pyramid; but language evolved in, and continues to be employed in, a wider cultural context" (p. 201).

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117 Tomasello, M., 2003, *The key is social cognition*. In D. Gentner & S. Godin-Meadow (Eds.), *Language in mind: Advances in the study of language and thought* (pp. 47-57). Cambridge: MIT Press.

118 Vygotsky, L.S., 1999, *The collected works of L.S. Vygotsky* (Vol. 6). New York: Plenum.

119 Donald, M., 1991, *Origins of the modern mind: Three stages in the evolution of culture and cognition*. Cambridge, MA: Harvard University Press.

### 2.1.8 Drilling down to political economy: the realization of Vygotsky's and Luria's emphasis on a historical materialist understanding of psychology

To illustrate this key element of Ratner's macro cultural psychological approach I would like to cite extensively the paragraph 'The political economy of advanced capitalism'.

#### *The political economy of advanced capitalism. (Ratner, 2012: 294-305)*

The example of community colleges<sup>120</sup> provided many insights into the capitalist political economy, but it did not lay it out in specific detail. Consequently, we should examine the political economic base of society to determine what kind of influence it can be expected to have on other cultural factors, and ultimately on psychological phenomena. "Drilling down" to political economy does not distract us from explaining psychology; on the contrary, it is the basis of our explanation of psychology's concrete qualities, because psychology is rooted in macro cultural factors that are rooted in political economy. *This is a realization of Vygotsky and Luria's emphasis on a historical materialist understanding of psychology.* (emphasis HW). It is also the realization of the following basis principles of cultural psychology:

- a. Psychology is part of culture and embodies cultural features.
- b. Our culture is capitalism.<sup>121</sup>
- c. Therefore, our psychology is capitalist psychology.
- d. To understand our psychology, we must understand the political economy of capitalism and how it is incarnated in our psychological functions. Explanatory and descriptive constructs of psychology must refer to the capitalist political economy (e.g., commodification, alienation, surplus value, capitalist relations of production, consumerism, capitalist class structure, bourgeois individualism [possessive individualism]). We have seen that Vygotsky mentioned the capitalist class organization of production in his work.

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120 *In paragraph 'The Political Economy of Education' (pp. 285 ff.) Ratner addresses the American educational system as an example of this system as 'a major macro cultural factor that organizes psychology'. He explains in detail how the so-called 'community colleges' were structured to fulfill a political-economic function in society.*

121 *'Capitalism' is in the singular here. This does not mean I feel committed to the proposition that there is a single, generic, unified, and global mode of production or that the world market has its own unique logic that somehow governs the overall development of capitalism. I am following in this Jessop and Sum, drawing on their critique of the VoC (varieties of capitalism, cf. Hall and Soskice, 2001) and preferring 'variegated capitalism'; see Sum and Jessop (2013), p. 234-5.*

- e. To ignore the political economy of capitalism and how it is incarnated in our psychological functions is to renounce a complete understanding of our psychology.
- f. To ignore the political economy of capitalism and how it is incarnated in our psychological functions is to impoverish the discipline of cultural psychology and the foundational ideas of Vygotsky, Luria, and Leontiev.

'To provide a substantive foundation for macro cultural psychology', in this paragraph Carl Ratner turns to an examination of the political economy of capitalism. Drawing on the 'deepest elucidation of capitalist political economy' by Marx, the author states: 'Like all class societies, which originated 10,000 years ago, capitalist societies maintain their wealth and power by exploiting the population'. But Marx recognized another distinctive feature of capitalist exploitation – namely, that it is difficult to perceive, even by the laborers who are the victims of exploitation. He says (in Section 9 of his pamphlet *Wages, Price, and Profit*, which was delivered as an address in 1865) that exploitation is clear in slavery, and also in feudalism, where the serf directly pays the lord a percentage of his produce (the surplus value). But in capitalism, "the nature of the whole transaction is completely masked by the intervention of a contract and the pay received at the end of the work week." In other words, exploitation is masked and mystified by the capitalist legal form of labor.

There are two elements to this mystification. One is the fact that the laborer sells his or her labor power to the capitalist through a contract that appears to be an equal exchange of wages for labor. The laborer voluntarily agrees to the contract, which obscures coercion. The coercion lies in the fact that the working man is compelled to sell his labor power in order to live; he sells his labor power to a capitalist who owns the workplace and sets all the rules and can discharge the worker at will; and the wage earned pays for only a small portion of the labor expended during this working period. The remainder of the labor is unpaid and therefore exploited. While the worker has some choice over which capitalist to sell himself to, he remains within the grip of the capitalist class for his livelihood. His choice occurs within the conditions that have been set by the capitalist class, and he has no choice over the conditions themselves, especially their exploitive, autocratic nature. The contractual form of wage labor obscures its involuntary, autocratic, exploitive nature.<sup>122</sup> Marx says: "On the basis of the wage system even the *unpaid* labor seems to be *paid* labor." (Ratner, 2012: 305).

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122 See for this line of reasoning the recent work of Grietje Baars: *The Corporation, Law and Capitalism, A Radical Perspective on the Role of Law in the Global Political Economy*, 2019, Leiden; Boston: Brill Nijhoff, and *The Corporation, A Critical, Multi-Disciplinary Handbook*, 2017, Eds. Grietje Baars and André Spicer, Cambridge: Cambridge University Press.

Marx explained another source of mystification in the capitalist political economy: “The finished pattern of economic relations as seen on the surface in their real existence and consequently in the ideas with which the agents and bearers of these relations seek to understand them, is very different from, and indeed quite the reverse of and antagonistic to their inner, essential but concealed core and the concepts corresponding to it” (cited in Lukacs<sup>123</sup>, 1971, pp. 7-8).

*A macro cultural psychological analysis of consumer psychology. Consumerism a vital part of the political economy of capitalism. (Ratner, 2012: 336-381)*

In paragraph ‘Political Economy’ (p. 336 ff.) the author starts his macro cultural psychological analysis of consumer psychology with a brief discussion of how radically different consumer psychology is from more traditional systems of psychology, and how consumer psychology has a culturally concrete character that is generated by the political economic core of capitalist society.

One of the conventional objections to a Marxian inspired critique of capitalism is its overly ‘productivist’ orientation<sup>124</sup>. Or, to put it otherwise, its almost exclusively focusing on ‘the production of value’ and thereby largely neglecting the ‘realization’ of value, that is, the selling and buying of commodities. Another objection is the neglect of ‘the subject’ by Marxist scholars like, for instance, Harry Braverman in his classic work ‘*Labor and Monopoly Capital*’. One of the benefits of Carl Ratner’s cultural psychological approach is that it proves to be an explanatory fruitful framework, clearly Marxian-Vygotskian inspired, which avoids the alleged pitfalls of a Marxian critique of capitalism, in this case the pitfalls of ‘productivism’ (or ‘economism’) and ‘objectivism’. In my view this is evidenced particularly in the way Ratner addresses *consumerism*<sup>125</sup> as ‘a vital part of the political economy of capitalism because it generates market demand for increased production that generates capital in the form of profit.’ Capital is made by producing commodities, using labor that has become commodified to generate surplus value. To

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123 Lukacs, G., 1971, *History and class consciousness: Studies in Marxist dialectics*. Cambridge: MIT Press. (Original work published in 1922).

124 See ‘Discourse in Late Modernity’ (1999) of Chouliaraki & Fairclough (1999), both seeing social life made up of practices, and ‘all practices as practices of production’ (but production understood in a very broad sense), p. 23.

125 Consumerism is an important element mentioned by the ‘fundadores’ of the Mondragon experience as part of the ‘degeneration’ of Arizmendiarieta’s original values and principles regarding cooperatives. See their statements in Azkarraga’s ‘discourse analysis’ in his Ph.D. thesis of 2006. This topic will be addressed in the historical Part Two of my monograph.

spur commodity production, consumerism<sup>126</sup> must convince people that everything is more appealing in a commodified form (i.e., adorned with worked-up features that are produced using profit-generated labor). "The personal", "the social", and "the natural" must all become commodified in this sense. Then, the personal, the social, and the natural will generate sales – which they do not in their original form – and become converted into cash cows. Consumerism is the psychological reengineering that accomplishes this socioeconomic transformation. This political-economic basis and objective of consumerism is the key to its characteristics. The whole point of consumerism is to artificially generate increased sales of unnecessary products that profit a small class of wealthy investors. Investors use consumers to generate profit just as they use workers. They design and control the consumption process just as they do the work process – for their own benefit and at the expense of the populace.

If the political economy were designed to benefit and fulfill the populace, it would produce the quantities and qualities of products that people truly needed and wanted. It would not need to induce consumption through a multibillion-dollar industry of advertising.<sup>127</sup>

According to Carl Ratner an entire psychological system of interrelated elements is cultivated to produce behavior that is blind to social reality, blind to the full quality of behavior itself (i.e., the full reasons, characteristics, and ramifications of behavior), and irrational and deleterious for people, but which is profitable for investors. Irrationality is a necessary prop for oppression. (Ratner, 2012: 336).

To understand the features of consumer psychology, it is crucial to understand its irrational, exploitive political-economic basis, and function. Consumerism must be viewed within the rubric of the psychology of oppression. To describe consumer psychology without emphasizing these features is to distort it. Irrationality and oppression are scientific terms that describe the objective reality of American capitalism and consumer psychology. They are also political, critical terms. Social science is political.<sup>128</sup>

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126 See the important work of Ben Fine on consumerism in his volume 'The World of Consumption', the material and cultural revisited '(2002, second edition).

127 The Dutch TV program 'Tegenlicht' (April 26, 2020) interviewed critics like the American economic jurist Ramsi Woodcock and Belgian former advertising designer Thomas Dekeyser about the manipulative multi-billion advertising industry and filmed campaigners of the 'Advertising shits in your head' campaign. A growing, international criticism of consumerism inextricably related to sophisticated marketing techniques can be identified. See for instance the degrowth movement getting more traction.

128 See for the application of this philosophy to cooperation and co-ops, see: Ratner, C., 2016, *The Politics of Cooperation and Co-ops: Forms of Cooperation and Co-ops, and the Politics that Shape them*. New York: Nova Publishers.

Ratner: 'here we see that politics can be objective; it is not necessarily biasing and distorting. Given the irreversible, failing state of American capitalism and the exploitive processes that created it (described earlier in this chapter), there is no question that the political economy is irrational and unsustainable (in human and environmental terms) and has artificially propped itself up with exploitive, dishonest, unworkable schemes in recent decades.'

'To avoid using political terms such as *irrational* and *oppressive* is to deny the objective character of the social system (culture) and consumer psychology. Avoiding political terms is biasing and distorting, not neutral and objective. It would be equivalent to describing slavery or fascism without referring to exploitation.'<sup>129</sup>

The author emphasizes that consumerism 'reengineers' people. It has not only simply provided you with products to buy; it has provided you with the psychology necessary to animate your buying behavior. It's all about the production and consumption of countless commodities, and commodities which have become psychologized. Consumer capitalism requires that consumerism be an ongoing activity that knows no bounds. It cannot be allowed to ebb and flow on its own. "In the modern world the production of consumption becomes more important than the consumption of production" (Campbell<sup>130</sup>, 1987, p. 36).

'The following analysis will demonstrate how consumerism commodifies the consumer as well as the object. The consumer does not stand apart from commodity production as an independent purchaser of commodities; he or she is outfitted to take on a historically unique psychology that facilitates the new political economy of consumer capitalism. (Rational choice theory<sup>131</sup> is a wrongheaded, a-cultural psychological theory because it posits the consumer as possessing a natural rationality that is independent of the irrationality of consumer capitalism.) Marxism has also generally overlooked the cultural psychology of commodification. It usually states that capitalists treat people as commodities by commodifying labor, for example. Marx discusses the mental and physical impoverishment of the exploited worker in terms of his alienation from his species being, and his regarding commodity relations as natural; however, Marx never

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129 This topic will be addressed in the historical Part Two of this monograph, particularly regarding the 'neutral' and 'a-political' standpoint of Mondragon's founding father, Arizmendiarieta, during the dictatorship of Franco.

130 Campbell, C., 1987, *The romantic ethic and the spirit of modern consumerism*. Oxford: Blackwell.

131 See David Block in his 'Political Economy and Sociolinguistics', *Neoliberalism, inequality and social class*, 2018, paragraph 'Rational Choice Theory (RCT)', pp. 110-112, citing John Scott: 'Rational choice theory adopts a methodological individualist position and attempts to explain all social phenomena in terms of the rational calculations made by self-interested individuals'.

explored the full cultural psychology of the worker<sup>132</sup>. Lukacs introduced the important notion of false consciousness; however, it was limited to notions of reification. It did not extend to the full range of psychological processes such as perception, emotions, self-concept, sensations, reasoning, memory, needs, desires, sexuality, child psychology, romantic relations, and mental illness. I shall work on filling this gap. I shall explain that treating people as commodities encompasses reengineering their psychology to make it compatible with commodity production. I will also concentrate on the psychology of the consumer rather than of the worker.' (Ratner, 2012: 338).

Carl Ratner hopes that future research will examine the cultural psychology of the commodified worker that not only is the result of commodity production, but also facilitates it by the workers' perception, reasoning, memory, emotions, self-concept, sensations, needs, desires, sexuality, romantic relations, and mental illness to the specific conditions of commodity production.

Lee<sup>133</sup> (1993) explains that consumerism was a deliberate solution, involving psychological reengineering, that capitalists devised to solve the problem of overproduction-underconsumption, as well as the problem of labor resistance to exploitation at the turn of the (20<sup>th</sup>) century.

The wholesale solutions to these problems were, broadly speaking, very similar: a wholesale resocialization of the labor force and their familial and community structures in favor of a mass-consumption norm...The process of "producing consumers" would involve the...implementation of a wide range of initiatives which fell initially under the auspices of both corporate capital and the nation state.

"The emergence of Fordism [after 1913] saw the most systematic attempts to date to develop a mode of regulation in which the cultural dimensions of consumption and commodity relations could be adapted and stabilized according to the requirements of production. In Fordism there is established a complex of regulating networks, the aim of which is to couple changes to the mode of production to a series of changes held to be appropriate within the cultural sphere. In short, Fordism saw the first attempt to establish a social consciousness based upon mass commodity consumption and which, it was

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132 See for a similar critical view, David Harvey's *A Companion to Marx's Capital, The Complete Edition*, 2018, London: Verso. Harvey: 'This illustrates how robust and flexible capital can be in relation, for example, to the singularities of consumption. Since this is perhaps one of the more problematic aspects of Marx's theorizing – his failure to discuss, let alone theorize, consumerism – let me give a strange, personal and definitively singular example.' (p. 740).

133 Lee, M., 1993, *Consumer culture reborn: The cultural politics of consumption*. London: Routledge.

hoped, would soon become inscribed throughout everyday life and its practices. (Lee, 1993, pp. 79, 80, 88).’ Lee explains how business leaders targeted the family as the site for plying consumerism. They sought to transform family relations to make consumerism central to family interactions.

In my view this analysis of Fordism perfectly fits in the ‘fascinating’(Harvey) analysis of Antonio Gramsci<sup>134</sup> and complements it. This kind of dialectical, historical materialist reasoning is foundational to my approach of the ‘Mondragon experience’. It is grounded in a dialectical philosophy of ‘internal relations’<sup>135</sup> and is refined and deepened to make it fruitfully applicable to ‘the Mondragon case’.

## **2.2 Theorizing ‘cooperativism’ from a macro cultural psychological perspective:**

### **The work of Carl Ratner briefly outlined**

In one of the first sections I emphasized the key importance of Carl Ratner’s work on his ‘macro cultural psychology’ and his theorizing the concept of ‘cooperativism’ for this monograph on the Mondragon cooperative experience. Now having extensively introduced Ratner’s ‘political philosophy of mind’ I will focus on his social theoretical perspective on ‘cooperativism’, being one of the basic elements of my own analytical toolkit to put at work in this research on the degeneration (or not) of the Mondragon co-ops.

### **Cooperativism as a radical alternative to capitalism. Carl Ratner’s social theory for Cooperativism.**

At first glance, one might think the cooperative social experiment started and inspired by the Basque priest José María Arizmendiarrieta and the vision of the American cultural psychologist Carl Ratner on cooperativism would have much in common. Both ‘reflective practitioners’ I would call them, stated explicitly to aim at a *new* social order, being *radically* different from the existent capitalist social order, thereby developing a model of corporations, termed co-ops, in which ‘capital’ is subservient to ‘labor’ and not the other way round. After having taken a closer look, we are forced to confront the ‘contradiction between reality and appearance’, according to David Harvey ‘by far the most general and pervasive contradiction that we have to confront in trying to unravel

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134 Gramsci, A., 1971, *Selections from the Prison Notebooks of Antonio Gramsci*, edited and translated by Quintin Hoare and Geoffrey Nowell Smith, London: Lawrence and Wishart. Ch. 3. Americanism and Fordism, pp. 277-318.

135 Ollman, B., 2003, *Dance of the Dialectics, Steps in Marx’s Method*. Urbana, Chicago, and Springfield: University of Illinois Press, Ch. 3, *The Philosophy of Internal Relations*, pp. 36-50.

the more specific contradictions of capital'.<sup>136</sup> This contradiction regards the alleged similarity between these two visions on cooperativism, as well as the contradiction between Arizmendiarieta's rhetoric and practice.

While both 'cooperativists' challenge the dominant way labor-capital relations are organized and institutionalized in the form of capitalist corporations, the way they theoretically and practically underpin this critique fundamentally differs. To clarify the main differences, let me first focus on the way Carl Ratner theorizes cooperativism, thereby emphasizing the common denominator between Ratner's and Arizmendiarieta's view on cooperativism as a device for empowerment or emancipation of the working class. Subsequently, the differences regarding the contribution of Arizmendiarieta's Personalist underpinned vision and practice versus the Ratnerian macro cultural psychologist approach will be briefly outlined in comparing the contrasting views of two Spanish priests, Ignacio Martín-Baró and José María Arizmendiarieta on possible ways to empower and emancipate the working class in capitalist societies.

### *Cooperative behavior and capitalist commodity production: two worlds apart.*

About three years before publishing in 2012 his 'political philosophy of mind', that is, his presenting of the macro cultural psychology, Carl Ratner authored an article in the journal 'Capitalism Nature Socialism' in which he outlined a 'Social Theory for Cooperativism'. This paper is divided into two main sections: first, *the Political Economy of Capitalism*, and second, *Cooperativism*.

### *The political economy of capitalism and cooperativism.*

*The author's key argument is the fundamental incompatibility of cooperative behavior on the one hand and capitalist commodity production, the foundation of the actual hegemonic 'social order' on the other hand.* According to Ratner, the 'myriad problems we face today', like for instance, the worsening ecological crisis, economic instability, inadequate health care, escalating rates of mental illness or a rise in international conflicts, 'have a common basis in capitalist political economy. Therefore they exist together and can only be solved together by transforming their common basis from a capitalist political economy into a cooperative political economy.' In other words: in order to achieve real change, *the deep structure of the existing political economy* must be changed. The author illustrates this by presenting 'a deep structural model of society with two visions for society in the form of two inverted cones. In the diagram depicting this model, the common stem of the cone beneath the surface must be transformed toward a society organized around a new stem of political economy – namely, cooperativism – which leads to healthier, more democratic outcomes. Writing about 'the common stem

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136 Harvey, D., 2014. *Seventeen Contradictions and the End of Capitalism*. London: Profile Books, p. 6.

of the cone beneath the surface' Ratner means the underlying fundamental social causes (political economy): commodity production, private ownership of resources, extracting surplus value, unequal social classes, undemocratic control, and competition.

In my view, Ratner rightly emphasizes '*the stem-mouth relation depicted in the diagram is not simple, automatic, mechanical, or unidirectional*. It does, however, illustrate the domination today of capitalist commodity production over virtually every sector of society from health care to day care, news, entertainment, politics, sports, international affairs, environmental regulation, food production, the courts, and scientific research'. (Ratner, 2009: 45). Moreover, this non-reductionist, non-economistic approach to the political economy of capitalism basically echoes the line of thinking of scholars like for instance and among others (contributing to my theoretical perspective) Norman Fairclough, Jan Rehmann or Ngai-Ling Sum and Bob Jessop. Not accidentally, all these researchers are referring to basic concepts of Gramsci, like 'hegemony' and 'philosophy of praxis'. Notably Carl Ratner's Marxian-Vygotskian inspired *psychological* approach provides an invaluable conceptual toolkit to complement and deepen the theorizing of my other sources of inspiration. The 'emancipatory knowledge interest' is a shared, main feature of all these scholars<sup>137</sup>, forming at the same time a link to Arizmendiarieta's *emancipatory* social experiment, being 'his' Mondragon cooperatives.

According to Ratner, the 'deep structure' of the existing capitalist 'order', based upon commodity production and exchange, impedes genuine social solidarity (being one of the foundational elements of Arizmendiarieta's cooperativism) by 'encouraging the conversion of social relationships into standardized, calculated interactions: one customarily gives to other people in proportion to what one receives from them. If the other has little money to pay, for example, that person will most likely get little food, clothing, or shelter. Thus, the system of commodity production limits genuine caring about other people, making caring (and all social rewards including respect, health care, food, and shelter) conditional upon productivity. Both the quantity and quality of caring are unequally apportioned to more productive individuals. Contrary to popular myth, market society does not value each and every individual unconditionally and equally for their humanity.' (Ratner, 2009: 49). The author points at artifacts and property not only *reflecting* social relations, but also *structure* them by positioning people in social interactions. Ratner refers to D. Foley<sup>138</sup>, who argues that the law of supply and demand, which regulates commodity production and exchange, 'contradicts any moral notion of supporting people in need, for the more a commodity is needed, the more expensive it

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137 See for instance, Lily Chouliaraki & Norman Fairclough, *Discourse in Late Modernity, Rethinking Critical Discourse Analysis*, 1999, p. 35. Edinburgh: Edingburgh University Press.

138 Foley, D., 2006. *Adam's Fallacy: A Guide to Economic Theology*. Cambridge: Harvard University Press.

becomes and less readily is the need satisfied'. A similar line of arguing can be identified in for instance Ben Fine's volume *'the world of consumption'*, where he outlines his critical view on the world of commodities and particularly 'systems of provision and culture', the central analytical construct informing his work on consumption. A recent study<sup>139</sup>, adopting this 'sop' approach (systems-of-provision), shows the damaging effects on inequality and poverty of the privatization of essential services like water, energy, and local buses in the UK. This critical approach deconstructs the narrative, notably popular in neoliberal circles like in this case in the UK, erroneously claiming the privatization of essential services would improve the provision of these (and other) services. It would be an understatement to argue that commodification of essential needs like water or energy draws on any meaningful moral notion regarding satisfying basic human needs (other than the profit motive).

After having outlined in brief terms the underlying fundamental social causes, that is, the political economy of capitalism, of numerous problematical behaviors, Carl Ratner addresses capitalist commodity production and ecology, thereby arguing that the capitalist profit motive and its growth imperative (see David Harvey's<sup>140</sup> 'dangerous contradiction' of 'endless compound growth') 'often have disastrous effects on the environment.' In the context of this monograph, I will leave out this section of his paper and focus now on the second main part of it, addressing 'Cooperativism'.

### **Cooperativism as a new mode of production.**

According to Ratner, a new mode of production is necessary to correct the numerous social and environmental problems of capitalism. He uses the term '*cooperativism*' rather than socialism 'simply because it is more descriptive of the deep cooperation among people that a new political economy must embody; and also, because it is free of the confusing and unpalatable baggage that the term socialism has acquired for some people from the atrocities that have been committed in its name.' (Ratner 2009: 54). His use of the concept 'cooperativism' builds on the socialist ideals outlined by Marx, so, unsurprisingly, he is critical of cooperatives – like the Mondragon co-ops – that do not incorporate and develop socialist principles. The author claims a new name 'enables

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139 Bayliss, K., Mattioli, G. and Steinberger, J., 2020, *Inequality, poverty and the privatization of essential services: A "system of provision" study of water, energy and local buses in the UK*. In: *Competition and Change*.

140 Harvey, D., 2014. *Seventeen Contradictions and the End of Capitalism*. London: Profile Books, p. 222. The author calls this condition of capital's reproduction 'an extremely dangerous but largely unrecognized and unanalyzed contradiction'. Fortunately, since Harvey published this book, a growing body of literature addressing 'degrowth' emerged.

us to freshen and deepen these ideals by examining what their cooperative basis really involves’.

***The telos of cooperativism: three levels of cooperation.***

Because cooperativism is best understood as a goal that is reached through successive approximations, the author enumerates three levels of cooperativism to explicate a *telos* or logic of cooperativism from minimal to maximal:

Not all acts of kindness and cooperation are forms of cooperativism. For instance, if two neighbors help each other in painting their houses, that is an act of cooperation (in the general sense) and reciprocity, but it is *not* cooperativism. In this act, the neighbors remain fundamentally independent with their own interests and property. ‘Mutual aid or reciprocity does not represent any group praxis toward fulfilling collective interests and objectives.’ (Ratner 2009: 54). Cooperativism is similarly absent in situations where several individuals utilize a common space for their own individual ends (example: a farmer’s market where individual farmers sell their crops in a public space provided by a city government). According to Ratner, ‘even a buying club is not cooperativism’. For instance, when individuals are pooling their money for a single shopping expedition to get a price discount on a bulk order, in spite of their benefitting from pooling they do so ‘as a group of independent individuals’. So, adopting Ratner’s conceptualization of ‘cooperativism’, the numerous ‘energy cooperations’ recently emerged in the Netherlands cannot be viewed as forms of cooperativism.

Cooperativism begins when ‘individuals start to give up their separateness, privacy, and self-interest and contribute (integrate) their wealth, possessions, and rewards to a democratically run group in which they collectively decide how the resources will be used to benefit the members together. Group members develop group projects, identity, feelings, needs, motives, interests, and responsibilities. This group *praxis* results in social solidarity and support for the members. It also results in an active role for individual members in shaping the activities of the group, and this affects their behavior.’ (Ratner 2009: 55).

In the historical Part Two of this monograph these ‘Ratnerian’ criteria of ‘cooperativism’ will be applied to the empirical findings of research regarding the lived experiences with cooperation within the network of ‘coopitalist’ Mondragon co-ops, as well as compared to the officially stated cooperative objectives of the Mondragon cooperatives.

***Level I Cooperativism***

Providing his examples from the agricultural world, Ratner presents subsequently the case of farmers who participate in a farmer’s market forming an association and contribute \$ 100 each to it for the purpose of advertising and beautifying the market as being ‘an *initial*

level of cooperativism'. This act pools small resources of individuals into a *collective effort that benefits all the contributors together, equally. (my emphasis)*. The individual gives up control over his money – unlike the situation of the bying club – to the group. The group now decides how it shall be used on projects that will benefit all the members together. Each farmer acts as a group member rather than as an individual. Each contribution is magnified by pooling it. This is a new form of distribution of benefits. These benefits are not apportioned individually in proportion to one's individual monetary contribution in a quid pro quo. According to the author 'individuals benefit because they give up their individualism (not their individuality). Cooperativism at Level I is a significant advance over commodity-mediated market interactions. It is an advance over mutual aid, buying clubs, and other groups that are composed of a sum of independent individuals. However, so Carl Ratner, Level I 'remains primitive, because it only bestows the advantages of cooperativism on a small portion of the farmer's socioeconomic life.' (Ratner 2009: 56). Within the context of the case presented here, Level I cooperativism continues to favor the strong and wealthy and perpetuates their privilege and dominance.

### *Level II Cooperativism*

More extensive cooperativism is achieved as individuals turn over more of their private possessions to the collective for group management and support. An example would be several farmers giving up part of their land and a large sum of money to form a commons on which they build a processing plant for their crops. In this Level II cooperativism individual farmers remain independent. They retain their own farm, grow their own crops, and receive an output commensurate with this input. According to Ratner this level 'continues to favor the strong and disfavor the weak, which keeps people divided, self-interested, and not fully socially-minded.'

### *Level III Cooperativism*

Maximum cooperativism is achieved if farmers collectivize their entire farms (maintaining a small parcel for themselves) and manage them through democratic bodies – not by autocratic political leaders as in Soviet-style collectivization. Collectivizing property objectifies and strengthens collective social relations, because forms of property are social relations.

Ratner's approach to cooperativism, concretized in this three-level explication of its 'telos', clearly reflects its Marxian roots and inspiration. Notably his vision on *forms of property as social relations* and the key role of collectivizing property in 'cooperative', that is, socialist, society, versus private property being the crux of capitalist society displays a fundamental difference to the mainstream approach of cooperation in the organizational

form of co-ops, Arizmendiarieta's and Mondragon's imaginary included.<sup>141</sup> In order to clarify Arizmendiarieta's vision on property, it seems worthwhile to focus on what Joxe Azurmendi (in his classic study of Arizmendiarieta's thought) had found on this topic. According to Azurmendi, Arizmendiarieta's first writings on purely social topics started in 1945, in the context of 'the great crisis', understood around the 'social question' and centered on the problem of property. In the section 'Concerning Property' (Azurmendi 1984: 107-123) outlines his findings regarding 'property' in Mondragon's founding father's writings. In the times of crisis, right after Second World War's ending, Arizmendiarieta saw around him a deeply divided world, in which the spirits are divided 'most categorically' on the topic of *property*. "This is, therefore, the cardinal point on which the question of the establishment of a more just social order is decided: "A social economic order made to fit man. There currently exists a social economic order, but not made to fit mankind, but rather made to fit the measure imposed by a false concept of property." (Azurmendi 1984: 108). The Basque author points at the effort made by Arizmendiarieta 'to define his doctrine as a third way: these are liberalism, or capitalism, which considers the right to property an absolute, and sacred natural right, and collectivism, or communism, which considers it unnatural. Arizmendiarieta considers property a relative, conditioned, and limited natural right; or, as he says, a right of functional character.' According to Azurmendi, the Mondragon parish priest's conception of 'property' proved not really to be consistent and conclusive. On the contrary, he points at 'oscillations' and attempts to develop his own conception by combining widely varying, if not incompatible visions. For instance, on the one hand referring to the 'curious argument in favor of private property from Leo XIII, and on the other hand suggesting a concept of 'the community of goods', surprisingly close to the just demands of Christian reformers, which is to say, "a Christian social program surprisingly close to the socialist." In my view this oscillating, inconsistent conceptualizing property of Mondragon's founder can be traced back to his deficient, deeply flawed thinking and practices regarding the relations between society and the State, grounded in his so-called 'a-political' and 'a-historical' approach to cooperation and co-ops. The topic of Arizmendiarieta's 'third way' approach will be addressed in the

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141 See for the key role of (collective versus private) property, notably land property, in the transformation of capitalist society, the 40<sup>th</sup> Annual E.F. Schumacher Lecture by George Monbiot in October 2020, titled 'Private sufficiency, public luxury: land is the key to the transformation of society. Also, the article in the Dutch journalist platform 'The Correspondent', 4 November 2021, titled 'Het bizarste idee dat de mens ooit bedacht: dat je een stukje grond kunt bezitten' (the most bizarre idea ever invented: that one could possess a piece of land). Legal scholar Radha d'Souza points to the transformation of 'land as relationship into 'a thing, a commodity'. Land is in her view 'a bond that ties people to nature and to each other. Land is the glue that holds people and nature together to form places. Historically, rights transformed places into property.' ('What's wrong with rights?', 2018, Verso, p. 5).

section regarding Chenu's critique of the catholic social doctrine as being 'an ideology' endorsing the social economic status quo.

### **Cooperativism and Environmentalism.**

In this section Carl Ratner addresses in brief terms the relations between cooperativism and environmentalism. In his conceptual framework, protecting the environment requires a social concern that transcends narrow self-interest. 'Social concern derives from a cooperative community that extends peoples' concerns from themselves to the collective. In other words, a collective, cooperative social organization of people works to extend their viewpoint to encompass the community and its long-term interests, which include protecting its environment. *Environment is an extension of cooperativism. Genuine environmentalism is impossible apart from cooperativism.*' (Ratner 2009: 60). According to the author, cooperativism integrates companies into the community, which then brings community objectives into every level of the companies' operations. Pollution would thus become an internal, collective matter (and cost) for the entire, integrated company/community rather than an "externalization" that workers and community members have to bear individually, as they do now. By bringing pollution and the company within the purview of the community to be dealt with as a whole, cooperativism corrects the capitalist fragmentation of company, pollution, and community, which currently allows companies to escape responsibility for their pollution and its resulting harms.<sup>142</sup> While the Mondragon co-ops are making much of their relations with 'the community', there is a fundamental difference between what Ratner means when talking about bringing pollution and the company within the purview of the community 'to be dealt with as a whole' and the far more shallow and limited connections of Mondragon co-ops and their community environment.

### **Cooperativism and Politics.**

This section, addressing cooperativism related to environmentalism, neatly fits in Ratner's *political* philosophy of mind, as well as in the theoretical perspective of this monograph. Specifically regarding 'the environmental question', for many the biggest challenge confronting humanity, our shared position sharply contrasts to the mainstream approach. In brief terms our approach is a critical, political one, rejecting any so called 'neutral', a-political, and technocratic way of tackling the problems. Once again we are confronted with what I would call ironically Mondragon's 'original sin', that is, its being grounded in a fundamentally flawed *praxis*, a combination of ideas and practices, incapable of ever reaching its self-acclaimed, high-flown objectives: a new person in a new social order.

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142 See the project 'Court for Intergenerational Climate Crimes (CICC), a project of Dutch artist Jonas Staal and Indian academic, writer, lawyer and activist Radha D'Souza, Amsterdam, 2021-22.

Looking at this huge challenge of for instance climate change, our argument is that any a-political and a-historical approach is doomed to fail. The Belgian authors Anneleen Kenis and Matthias Lievens eloquently present a well-thought-out critique of what they call a 'post-political' approach to the environmental question.<sup>143</sup> Their methodology of 'demystification' fits well Ratner's as well as my political way of thinking, and equally contrasts with the Mondragon and mainstream one. This applies to the economic philosophy in general, and the environmental policy in particular.

In section 'Cooperativism and Politics' of his article, the author argues that the political focus must highlight and explain the deep *structural* problems of capitalism and work to replace them by cooperativism. As such, Level I cooperativism is only a partial solution, because the dominant relations, i.e., the relations governing everything except the pooling of resources for a single common goal, remain rooted in the capitalist political economy of commodity production and class rule, which must still be transformed. In his view other political approaches 'remain at more superficial levels of analysis and action, never move beyond the single-issue orientation, and thus never fully solve problems. In this sense, so Ratner, they are not only inadequate, but they are also harmful, because they allow the root causes to persist and injure people. Of course, many reformers are sincere. But their intentions are contradicted by the limitations of their political perspective. In the historical Part Two these limitations of Mondragon's political perspective will be explained. In the context of this outline of my theoretical perspective, I will merely focus on two 'non-cooperativist analyses and solutions' the author mentions and leave apart the other (eight) ones. Focusing on 'expanding democracy' and 'use elements of the capitalist economy to solve economic problems' can be legitimated by the fact that these two conventionally closely interrelated phenomena (democracy and capitalism) constitute substantial cornerstones of the Mondragon cooperative philosophy, at least in the mainstream narrative of the Mondragon cooperative experience.<sup>144</sup> Following Carl Ratner (among a range of other scholars) in this monograph this narrative will be challenged. My theoretically informed historiography (Part Two, the historical perspective) seeks to deconstruct that narrative by unravelling its flawed assumptions and biased historical accounts. Moreover, this focus elaborates on the propositions of Ratner and Willems presented and discussed at the mini symposium at Radboud University, spring 2017. In that discussion notably the concept 'democracy' led to a lively debate among the participants. The focus on the importance of capitalism in the economic and political history of the Mondragon co-ops is obvious, simply because Mondragon's founder himself

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143 Anneleen Kenis & Matthias Lievens. 2016. *De Mythe van de Groene Economie*. Berchem: EPO. 3<sup>e</sup> herziene druk.

144 See, for instance, the British economist Robert Oakeshott, defining Mondragon as an 'oasis of democracy' within General Franco's dictatorship. In: Fernando Molina and Antonio Miguez (2008). *The origins of Mondragon: Catholic co-operativism and social movement in a Basque valley (1941-59)*.

declared at the outset striving to build 'a radical alternative to the capitalist system' as the ultimate objective of his cooperative 'movement'.

### 2.3 Cooperativism and (economic) democracy: a critical reappraisal

One of the 'non-cooperativist analyses and solutions' Ratner criticizes regards the strategy using 'elements of capitalism to reform other, harmful elements of capitalism', this is, using the element of 'democracy' (in the case of co-ops, economic democracy) to solve social problems. According to the author 'bourgeois democracy can be used to counter capitalist exploitation and alienation. This is certainly a worthy ideal that can generate improvement in social life. *However, its limits must be exposed.* (my emphasis). The main problem with democracy in the abstract is 'that democracy is a process, not an analysis or a program. It is contentless. Formal economic democracy is merely a general process of decision-making.'<sup>145</sup> (Ratner 2009: 69). In his view, it does not necessarily lead to cooperativism. Democracy is only realized within particular social relations, for example, as part of the process of collective, cooperative practice. Cooperativism, so Ratner, entails democracy in the process of a collective deciding on production and distribution issues. Cooperativism is the basis of democracy more than democracy is the basis of cooperativism. Therefore, cooperativism is a stronger political platform than democracy is for achieving real social change and human fulfillment. 'Democracy' is not a fruitful platform for achieving cooperativism, because it contains a bourgeois character that supports capitalism.' (Ratner 2009: 70).

In this monograph I seek to theoretically extend and deepen this conceptualizing of 'democracy', that is, more specifically, economic democracy, in adopting basic insights of a range of critical scholars like Colin Hay, Bob Jessop, Jan Rehmann, Ronald Hartz, Henk Overbeek, Bastiaan van Apeldoorn, Otto Holman, Jessica Whyte, Radha d'Souza, Jule Goikoetxea, Sharryn Kasmir, Wendy Brown, Nancy Fraser, Andreas Bieler, Adam David Morton and Lars Cornelissen. I would argue the work of, for instance, Colin Hay on the role of ideas, or his insisting on the essential and inherently political nature of any analysis of social and political processes, the lucid assessment of theories of ideology as 'powers of alienation and subjection' by Jan Rehmann, the invaluable work of Bob Jessop regarding theorizing 'the State' or developing 'cultural political economy' (in co-production with Ngai-Ling Sum), Otto Holman's doctoral thesis on the 'transnationalization of Spain', a masterful analysis of Spain's integrating in Europe, his piece of academic work being a product of the so called 'Amsterdam School of International Political Economy', thereby adopting a theoretical perspective laying stress on the *transnational* dynamics of global ( and European) integration and its *class content*, seen from the perspective of the

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145 This topic, as addressed by Ratner, will be extended, and deepened by referring to the work of notably the English political theorist Colin Hay, which focused on critical and analytical perspectives of power.

postwar globalization of capitalist relations. Notably Holman's work on Spain, that is, his providing a theoretically informed 'periodization' (historiography) of this country's political modernization and Westernization, extends and deepens Ratner's macro cultural psychological perspective, included his theorizing 'cooperativism'. While Holman focuses on Spain's transnationalization and European integration processes thereby bringing the concepts of state and societal *corporatism* to the fore, he does not elaborate on the concept of *neoliberalism*, which would become the hegemonic form of restructuring the capitalist system in Spain and the European Union, if not on a global scale. To complement and extend Holman's analysis we have to scrutinize the relationships between the Mondragon cooperative experience and the hegemonic concept of 'neoliberalism'. Adopting the critical approaches of scholars like, for instance and among a range of others, Jan Rehmann<sup>146</sup>, Lars Cornelissen<sup>147</sup>, Thomas Biebricher<sup>148</sup>, Quinn Slobodian<sup>149</sup>, Jessica Whyte<sup>150</sup>, Radha d'Souza<sup>151</sup>, Jule Goikoetxea<sup>152</sup>, Xabier Renteria-Uriarte and Jon Las Heras<sup>153</sup> enables me to dissect the problematic relationship between Mondragon's cooperative praxis and two of its self-acclaimed 'constantas' (in the words of Arizmendiarieta himself), being 'solidarity' and 'democracy'. I will show this problematic relationship to be an original and systemic flaw in the Mondragon cooperative ideology.

## 2.4 Revisiting Arizmendiarieta's flawed conception of (economic) democracy: the incompatibility of democracy and Catholic social doctrine, corporatism, and neoliberalism

Focusing on this section -*cooperativism and (economic) democracy*- the work of Otto Holman opens avenues into elaborating on the historical perspective as developed in this monograph on the Mondragon cooperative experience. Let me explain this crucial

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- 146 Rehmann, J., 2014. *Theories of Ideology. The Powers of Alienation and Subjection*. Ch. 10: Friedrich Hayek and the Ideological Dispositif of Neoliberalism, pp. 271-300. Chicago, Il.: Haymarket Books.
- 147 Cornelissen, L., 2018. *The Market and the People: On the Incompatibility of Neoliberalism and Democracy*. Doctoral thesis, University of Brighton.
- 148 Biebricher, Th., 2018. *The Political Theory of Neoliberalism*. Stanford, Cal.: Stanford University Press.
- 149 Slobodian, Q., 2020. *Globalists. The End of Empire and the Birth of Neoliberalism*. Cambridge, Mass., London: Harvard University Press.
- 150 Whyte, J., 2019. *The Morals of the Market. Human Rights and the Rise of Neoliberalism*. London, New York: Verso Books.
- 151 D'Souza, R., 2018. *What's Wrong With Rights? Social Movements, Law and Liberal Imaginations*. London: Verso books.
- 152 Goikoetxea, J., 2017. *Privatizing Democracy. Global Ideas, European Politics and Basque Territories*. Peter Lang.
- 153 Xabier Renteria-Uriarte and Jon Las Heras, 2020. *Prefiguring communalism and economic democracy in the Basque Country*. In: *Globalizations*.

influence of his work on my research. Holman points at the decisive factors behind the modernization and integration within Europe (and the world order), being mainly 'state corporatism' in the Franquist era, morphing into a 'societal corporatism' in the first years of the 'socialist decade', subsequently into a neoliberalizing restructuring of Spain's capitalist society.

First, there is *the concept of 'corporatism'*.

Although we must be cautious in using this admittedly contested concept, and being aware of its limitations, I will put to work the valuable theorizing work of scholars like Holman, Schmitter, Lehmbruch, Panitch, and, not least, Bob Jessop, in order to theoretically inform the historiography of Mondragon's cooperative experience. For example, Jessop provided elucidating insights regarding the 'periodization of corporatism', thereby noting that recurring corporatism, in varied guises, cannot eliminate conflicts, contradictions, and dilemmas inherent in capitalism.<sup>154</sup> Apart from the concept of historiography, theorizing corporatism opens fruitful avenues into dissecting the intimate affiliations between the Spanish State and the Catholic Church, the last viewed as one of the ideological powers in that country. Moreover, paying attention to this concept seems particularly relevant in this case of a cooperative 'movement' founded and inspired by a Basque Spanish Catholic priest, operating within the political, economic, social and cultural context of the Franco regime. In contrast to the mainstream approaches to Mondragon's genealogy, conventionally ignoring the similarities (and differences) between the Spanish Catholic Church, corporatism, fascism, and the Franco dictatorship, my critical approach attempts to give due 'weight to the macro cultural factor' being that religious institution. To 'recover the historical memory' of Mondragon's genealogy we have to address the linkages between on the one hand the Personalist inspired cooperative vision, heavily drawing on the social doctrine of the Catholic Church, of priest Arizmendiarieta, and on the other hand the political context of the Franco dictatorship at the time. The role of corporatist ideas and practices forming a key element at the macro, that is, predominantly, national level, and at the meso level, that is corporate level of Mondragon's co-ops. As the research on corporatism and its relationship to Catholicism and fascism of distinguished

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154 Jessop, B., 2014. *Corporatism and Beyond? On Governance and its Limits*. In: Hartmann and Kjaer, *The Evolution of Intermediary Institutions in Europe: From Corporatism to Governance*.

scholars like Antonio Costa Pinto<sup>155</sup>, John Pollard<sup>156</sup>, or Glicerio Sánchez Recio<sup>157</sup> shows, corporatism 'was inherently anti-parliamentarian in the liberal sense of the word', it was clearly authoritarian and its relationship to democracy, in the form of universal suffrage was problematic, to say the least. To quote Sánchez Recio: 'Corporatism in Spain is rooted in the pre-liberal era, as demonstrated by the case of the Carlists, who reinforced their position in the last decade of the nineteenth century with the proposals encompassed within the Catholic Church hierarchy's political and social doctrine, based on the encyclicals of Pope Leo XIII.' (Sánchez Recio 2019: 198). In this author's account of the Carlist corporatists – constituting a faction of Franco's reactionary 'coalition' – he points at *'the school of thought that unquestionably influenced Carlist corporatism the most was the political and social doctrine espoused by the popes from the 1880s onwards.'* (my emphasis). It should be borne in mind, he continues, that the Catholic Church was conceived as a perfect hierarchical society, ultimately based on a belief in God the creator and redeemer; in other words, its rationale was primarily religious or theological. According to Sánchez Recio 'due to this corporatist and hierarchical view of society and the state, Catholic politicians willingly accepted corporatist representation without showing any inclination towards representation by universal suffrage.' The author points at the objectives of Falangist economic policy presupposed strong state intervention, while in terms of social policy, the Spanish Falange sought 'to establish social harmony through state intervention and corporatist organization. In addition, so Sánchez Recio, the Spanish Falange was in principle 'as anti-liberal as it was anti-communist, due to the political disintegration and social inhibition entailed in liberalism and the international pretensions of communism. 'It was here where corporatism played its role, as already stated in the FE and JONS program of November 1934'. (Sánchez Recio 2019: 206). The social policy of the Franco dictatorship was articulated in the Labor Law of 9 March 1938. According to this scholar *'this text is an exemplary product of the doctrinal syncretism of Falangist and traditionalist Catholic ideology, projected onto the problems that Spanish society at the time faced'* as evidenced in the first paragraph of the preamble pointing at the renewing of the Catholic tradition of social justice and great humanity, representing a reaction against liberal capitalism and Marxist materialism, thereby returning 'the homeland, bread and justice to the Spanish people'.

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155 See, for instance, the volume *'Corporatism and Fascism. The Corporatist Wave in Europe. (2019) edited by Antonio Costa Pinto, Professor of Contemporary European History and Politics at the Institute of Social Sciences, University of Lisbon, Portugal.*

156 Pollard, J., 2019. *Corporatism and political Catholicism. The impact of Catholic corporatism in inter-war Europe. In: Corporatism and Fascism, edited by Antonio Costa Pinto, Chapter 2, pp. 42-59.*

157 Glicerio Sánchez Recio. 2019. *'Corporatism and the Franco dictatorship in Spain'. In: Corporatism and Fascism, edited by Antonio Costa Pinto, Chapter 9, pp. 198-215.*

From the legal, formal point of view, the Franco regime was corporatist, but in political practice, that is, organizational, social, labor, and economic, the dictatorship government intervened – notably by the Ministry of Labor - to prevent the regular functioning of the system from reducing the power of the regime's highest authorities. To demonstrate the ultimate pro-capitalist social and economic policies of the Franco regime, explicitly endorsed by the Catholic hierarchy, Sánchez Recio cites 'a Bishop as important as Herrera Oria':

"In its entirety, the law [on labor] is of genuinely Christian inspiration, and this inspiration, which corresponds to the ideology of those who wrote it and the government that enacted it, must be borne in mind when attempting to clarify any doubts that its wording may raise. Any interpretations suggesting public ownership must be rejected as being contrary to the spirit of the text, because the law does not advocate the nationalization of industry or banking but is rather intended to stimulate private initiative."<sup>158</sup>

However, so Sánchez Recio, unsatisfied with the Christianization of the Franco regime's labor laws, Herrera Oria proposed that employers should be guided by Point VIII of the Law<sup>159</sup> as the principles to follow in the reform of their companies, at the same time warning of the danger of applying a socialist interpretation: "...because its four articles provide guidelines for company reform; guidelines that when interpreted and applied by a Christian industrialist are beautiful, but which would be dangerous if rendered into law by a socialist parliament. And this is yet another reason why our capitalists should not fall into an unwary sleep in an indefensible *status quo*."

The author concludes his article by stating: "*Thus, there was not only a close alliance between the Catholic Church hierarchy and the Franco regime, but the latter also aimed to extend this to employers, the group which provided most social support to Francoism. During the Franco regime, Spanish capitalism therefore enjoyed protection from the*

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158 Speech of Bishop Ángel Herrera Oria, 'Relaciones entre el trabajo y la empresa', delivered on 30 April 1949, during the 9<sup>th</sup> Spanish Social Week in Madrid, in which he likened the papal doctrine to the fundamental texts of the Franco regime [ *Fuero del Trabajo* (Labor Law)]. He was appointed cardinal in 1965, the year the Franco cabinet decided to grant Arizmendiarieta the Gold Medal of Labor.

159 Point VIII states that capital is 'an instrument of production', defines the company as a 'unit of production', designates the employer as 'head of the company', and as regards company profit, says that 'given a fair interest on capital, it shall preferentially be used for accumulation of the reserves necessary for [the company's] stability, the improvement of production and the improvement of the working and living conditions of workers'. We can identify a striking similarity to the Nazi Labor Laws in the early 30s. Below I will address the work of the German sociologist Josef Pieper regarding the close affinities between those Nazi laws and the Encyclical Letter *Quadragesimo Anno*.

*regime and the paternal acquiescence of the Catholic Church hierarchy.*" (Sánchez Recio 2019: 211).

The conceptual and comparative empirical work of scholars like Sánchez Recio<sup>160</sup>, John Pollard<sup>161</sup>, Matteo Pasetti<sup>162</sup> or Antonio Costa Pinto<sup>163</sup> provides robust evidence to substantiate the 'original sin thesis' of this monograph. Based on their thorough scholarly work I would argue the praxis of Mondragon's founder and inspirer, father Arizmendiarieta, proved to be ideologically embedded in, and therefore compatible to doctrines and practices fundamentally at odds to his self-acclaimed key elements (solidarity and democracy), let alone his ultimate objectives: a new person in a new order, *radically different from the dominant capitalist system.*

In mainstream accounts of Mondragon's genealogy (a classic representative example offered by Whyte and Whyte's '*Making Mondragon*'<sup>164</sup> ) the similarities between Arizmendiarieta's Personalist, that is, in my view, corporatist, cooperative ideology, Franco's 'state corporatist' and PSOE's 'societal corporatist' social vision are overlooked. Thereby missing a crucial ideological linchpin that could have theoretically facilitated the explanation of some key, *original, and fundamental* flaws, seriously limiting Mondragon's emancipatory and empowering potential. Put otherwise, the mainstream approach cannot explain *why* the Mondragon experience never did and could transcend 'Softening Capitalism's Rough Edges'.<sup>165</sup>

Drawing on one of the distinctive features of the 'Amsterdam School' (as outlined by Bob Jessop)<sup>166</sup>, in contrast to mainstream approaches, my historical account of the Mondragon experience, that is, my 'periodization' of that experience, will be preceded by theoretical

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160 Sánchez Recio, G., 'Corporatism and the Franco dictatorship in Spain', in: *Corporatism and Fascism*, 2019, edited by Antonio Costa Pinto.

161 Pollard, J., 'Corporatism and political Catholicism', *The impact of Catholic corporatism in inter-war Europe*, in: *Corporatism and Fascism*, 2019, ed. by Antonio Costa Pinto.

162 Pasetti, M., 'The Fascist Labor Charter and its transnational spread', in *Corporatism and Fascism*, 2019, ed. by Antonio Costa Pinto.

163 Costa Pinto, A., 'Corporatism and 'organic representation' in European dictatorships', in *Corporatism and Fascism*, 2019, ed. by Costa Pinto.

164 William Foote Whyte & Kathleen King Whyte. 1991 (second edition, revised). *Making Mondragon, The Growth and Dynamics of the Worker Cooperative Complex*. Ithaca and London: Cornell University Press.

165 Goodman, Peter S., 2020. 'Co-ops in Spain's Basque Region Soften Capitalism's Rough Edges'. In: *The New York Times*, 29 December 2020.

166 Jessop, B. 2019, 'Putting The Amsterdam School in its place', in *Transnational Capital and Class Fractions, The Amsterdam School Perspective Reconsidered*, ed. by Bob Jessop and Henk Overbeek, London and New York: Routledge.

and empirical analysis. I will return to this approach in my concluding section, outlining the theoretical perspective of this monograph.

In this 'Mondragon case' focused on the concepts of corporatism and neoliberalism, to substantiate, theoretically as well as empirically, the 'original sin thesis'.

More concretely, this thesis, considered to be an 'explanatory critique' of the 'Mondragon cooperative model', underpins this critique by linking theoretically as well as practically that cooperative imaginary-cum-practices to its state corporatist, societal corporatist, and neoliberal political and economic historical *context*. The Mondragon 'model' did not and could not deliver the key elements articulated by its founder himself (solidarity and democracy) because of the fundamentally flawed conceptual framework and affiliated practices. In other words, it had to fail, because Mondragon's *praxis* proved to be incompatible with real, genuine (economic) 'democracy' and 'solidarity'.

*The Mondragon co-ops and the Franco era. Solidarity and (economic) democracy versus a partly fascist-inspired regime. Two opposed worlds living apart together?*

We have a load of historical evidence at hand to demonstrate the contradiction between the policies and practices of the Franco regime and the concept of 'democracy', irrespective of the many and widely varying definitions of this contested concept. About the democratic attitude of the Catholic Church, notably in the first period of Arizmendiarieta's lifetime in Mondragon, we can hardly be more positive. Like Joxe Azurmendi noted in his classic study on Arizmendiarieta's thought, "his (Arizmendiarieta's, HW) formulation is closely tuned to pontifical texts at all times" (regarding his vision on 'a world in bankruptcy, in crisis'), adding this in a note: "in Pontifical doctrine, this vision has formed part of their fierce opposition to the modern liberal or democratic world until very recently. Such reactionary aspects are not lacking in Arizmendiarieta's thinking, either, in his early years. This is why an explicit acceptance of democracy is not found in Arizmendiarieta until Pius XII's Christmas radio message of 1944." (Azurmendi 1984: 86). According to this Basque scholar, the originally reactionary, even undemocratic vision of Mondragon's founding father 'would experience a *radical* evolution, *doubtlessly due to Maritain's influence*' (my emphasis).

In contrast to this assessment, I claim that my theoretically informed periodization of Mondragon's cooperative experience will elucidate Azurmendi's assessment of Arizmendiarieta's democratic attitude and conviction to be flawed. Even after his alleged 'conversion' to democracy, father Arizmendiarieta's vision of democracy remained narrow and reductionist, while never questioning the deep and obvious undemocratic structures of the 'state corporatist' Franco regime in which his cooperative 'movement' was built up and consolidated. After the 'Stabilization Program' of 1959, a top-down imposed series of decree laws and administrative actions set in a process of *economic*

*liberalization*, according to Charles W. Anderson<sup>167</sup>, in order 'to restore centralized control over economic policy'. The author writes: 'Despite the word liberalization, what the *Opus Dei* ministers were promising Franco was not a restoration of economic liberty but of economic order, a prime value of the authoritarian regime, and of the centralization of authority, a historic Spanish political propensity.

'...It is significant that the *Opus Dei* technocrats often described the process of removing controls as one of subjecting Spanish industry to the "discipline" of the market.' (Anderson 1970: 140)<sup>168</sup>. This process of 'liberalization', largely guided by *Opus Dei* technocrats, closely and formally affiliated to the Vatican, demonstrates the extraordinary influence of the Catholic Church and its dominant social doctrine in Spain during Arizmendiarieta's lifetime in Mondragon. First, because of the big influence of the Catholic *Opus Dei* technocrats in Franco's cabinets, notably from the mid-50s onwards, second, because of the shift from endorsing the obviously dysfunctional, bankrupt state corporatist economic policy of Franco to a neoliberalized approach as largely designed by the Catholic technocrats. Catholic priest Arizmendiarieta's cooperative *praxis* proved to be compatible, if not firmly fitting in the political and economic *status quo*. After all, this *praxis* was essentially based on the social doctrine of that powerful institution and its influential representatives in Spanish government. In this case the *Opus Dei* cabinet members. Despite all the differences between Catholic economic advisors to Franco, *control and management* always were the essence of their economic philosophy. By no means they could be called 'democrats'. Arizmendiarieta's cooperative *praxis*, praised by *Falange*-minded as well as *Opus Dei*-minded neoliberal technocrats in Franco's cabinets, obviously didn't challenge the existing authoritarian, capitalist 'order' in Spain at the time. This compatibility of the Mondragon co-ops to Franco's 'veritable Magna carta of social justice in Spain' (Preston 1995: 729), that is, the *Fuero del Trabajo*, has been expressed by *The Gold Medal for Labor*, granted by Franco's minister of Labor to father Arizmendiarieta, at about the same time critical, *resistant* voices - even from colleague Basque priests - were brutally suppressed. We will return to this 'uneasy', some would say 'embarrassing' coincidence in the historical Part Two of this monograph.

### ***The inconvenient practice of Mondragon's 'solidarity' during the Franco era and afterwards.***

In Arizmendiarieta's own words, the concepts of 'solidarity' and 'democracy' constituted two 'constantes', key elements of his cooperative 'movement'. My scrutiny of Mondragon's

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167 Anderson, C.W., 1970. *The Political Economy of Modern Spain, Policy-Making in an Authoritarian System*, The University of Wisconsin Press, p. 140.

168 See also Cornel Ban, in his article 'Heinrich von Stackelberg and the diffusion of Ordoliberal economics in Franco's Spain' (2012) addressing the considerable impact of this German ordoliberal economist Heinrich von Stackelberg on those *Opus Dei* technocrats playing a leading role in the economic liberalization process.

cooperative experience from the outset up till today shows this claim to be disputable, if not contradicted by historically documented facts and processes. If we focus on the alleged key tenet 'solidarity' my theoretically informed periodization demonstrates that this 'solidarity' has been interpreted and above all practiced in a peculiar, that is, narrow, shallow, and limited way. Basically, focused on the isolated, internal 'cosmos' of the Mondragon co-ops, in their own view functioning as a group of 'democratic and solidary islands' within, notably in its first decades coinciding with the Franco regime, an undemocratic and an un-solidary society. In theoretical terms, Mondragon's flawed 'track record' regarding solidarity can be harked back to its original Personalist conceptual framework, combined with its strategy of collaboration with an obvious undemocratic regime as Franco's. Mondragon's cooperative ideology proved to be founded on two intermingled, untenable premises. First, it claims to present a *viable, radical alternative* to the extant capitalist political economic system and, second, grounding this alternative on a *pre-capitalist* critique of capitalism, largely inspired by a Thomist, scholastic view (represented by Jacques Maritain) on political economy. Put in simple terms, this basically medieval vision draws on two interlinked fictional concepts: first, on a macro scale, there is the idea of a 'people's community' (in German: die 'Volksgemeinschaft'), second, on a micro scale, we have the concept of a 'labor community' ('die *Arbeitsgemeinschaft*'), that is, the work organization one could call a corporation (an enterprise) or, in this case, a co-op. This *corporative* imaginary being one conceptual 'pillar' of Mondragon's cooperative ideology, has to be linked to its complement, being a so-called *a-political* and *a-historical* approach to social and economic topics. I argue these combined 'pillars' of the Mondragon cooperative experience proved to be fundamentally flawed. Because of these flaws the self-acclaimed key elements 'democracy' and 'solidarity' failed to be realized. Concretely, Arizmendiarieta's strategic choice, made at the very start of the Mondragon experience<sup>169</sup>, not to challenge or resist, but to collaborate with the Franco regime in order to build up his cooperatives, combined with his obedience to the Spanish Catholic Church and its hierarchy, forced him to always 'proceed with greatest caution, trying to avoid conflicts by all means, especially those that could have any political nature.' (Azurmendi 1984: 45). This alleged 'a-political' stance of don José María would have serious consequences regarding both 'constantes'. As will be shown in the historical Part Two, this 'avoiding all conflicts by all means' inhibited him to challenge the undemocratic regime and resulted in 'silences that are betrayals' (his own words, see Azurmendi (1984: 61), thereby exposing a blatant lack of *solidarity*. Understandably, not a few fighters for democracy and solidarity and against the Franco regime, did not appreciate Arizmendiarieta's 'guilty' silence at times, when, for instance, even colleague Basque priests revolted against the regime and the ecclesiastical hierarchy. Mondragon's inspirer and founding father persistently ignored this and other protests as well as their

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169 Molina, F. and Miguez, A., 2008. *The Origins of Mondragon: Catholic Co-Operativism and Social Movement in a Basque Valley (1941-59)*. In: *Social History*, Vol. 33, No. 3 (Aug. 2008), pp. 284-298.

violent suppression by the Franco regime. He preferred to keep confined to his own, isolated, Mondragon micro-cosmos.

*The Mondragon co-ops in a neo liberalized world order. Theorizing the (in) compatibility of neoliberalism and real (economic) democracy.*

Contending the undemocratic nature of the Franco regime looks like a commonplace, but to argue that neoliberalism and democracy are incompatible as well seems a rather different story. My critical approach to the deeply problematic relation between the conceptual framework and practices of Mondragon's founding father and the key concepts of 'solidarity' and 'democracy' can and must be extended to Mondragon's post-Arizmendian and post-Franco history, reaching to the present days. I would argue that Mondragon co-ops' confinement, theoretically as well as practically, to the presently hegemonic neo liberalized version of capitalism, still impedes reaching Arizmendiarieta's ultimate goals, in spite of Spain's transformation to a liberal-democratic society after Franco's death.

In this monograph I challenge the mainstream vision of the Mondragon co-ops providing an example of genuine economic democracy, notably since Spain becoming a liberal democracy. The mainstream approach misses the, in my view, crucial point of the deeply flawed, problematic relationship between the actual neo liberalized *capitalist* political economic system and a genuine *democracy*, that is, a democracy in the classic sense of 'the rule of the poor', or 'the rule of the *demos*'<sup>170</sup>. The liberal transformation in the meaning of democracy since the rise of capitalism being largely if not completely overlooked in mainstream approaches, constitutes a blind spot to the two 'dramatic shifts' in the meaning of democracy with its 'dilution by capitalism', as McNally writes.<sup>171</sup> 'First, the notion of an actively self-governing people<sup>172</sup> (who make the laws according to which they live) is replaced by the passive doctrine of representation. Secondly, the 'expulsion of politics' from the economic sphere, as part of the privatization of economic power, means that some of the most important events in peoples' lives – the closing of a factory, difficulties paying the rent, the decline of working-class living standards, the lack of affordable housing and so on – are treated as problems of the market and thus outside the purview of politics.' (McNally 2006: 273-4).<sup>173</sup>

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170 McNally, D., 2006. *Another World is Possible. Globalization & Anti-Capitalism*. Ch. 6: *Democracy Against Capitalism: The Revolt of the Dispossessed*. Pp. 267-335. Revised Expanded Edition. Winnipeg: Arbeiter Ring Publishing.

171 *Ibid.*, p. 273

172 See 'Nation and democracy building in contemporary Europe: The reproduction of the Basque demos', an article in 'Nationalities Papers', January 2014, written by Jule Goikoetxea.

173 See also Jule Goikoetxea's article 'Nation and democracy building in contemporary Europe: The reproduction of the Basque demos'. In: *Nationalities Papers*, 2014, 42, nr. 1, 145-164.

Regarding the approach in this monograph on Mondragon I adopt a non-positivist<sup>174</sup>, Marxian-Gramscian-Vygotskian inspired, that is, strategic-relational approach, obviously contrasting to the mainstream understanding of social science, including the academic disciplines of economics and psychology. About the mainstream reception of the academic discipline of economics, notably focusing on *the 'marginal revolution in economics'* we can identify a fundamental commonality between the ontological-epistemological and methodological underpinning of (mainstream) economics and the theoretical foundations of mainstream psychology. It was 'the father of neoliberalism', Friedrich von Hayek himself who provided the theoretical connection between psychology and economics. As noted by the Dutch researcher Lars Cornelissen<sup>175</sup>, 'Hayek started his academic career in psychology and developed a subjectivist epistemology before moving on to studying socio-economic problems. As a student of psychology, he formulated a theory of mind that, although it was based on work undertaken in the 1920s, would not be published until it was laid out in his 1952 *The Sensory Order*. In this book, Hayek puts forward the thesis that the human mind is the result of an unfathomable amount of evolutionary adaptations to its external environment and is, as a result, so complex that 'it can never fully explain its own operations.'<sup>176</sup> In this account, while the general *principles* according to which the mind adapts to its environment can be known, the individual mind cannot know how it became what it is because that would require knowledge of all individual data that went into its evolutionary process.' Cornelissen emphasizes the conclusions Hayek draws in his early work on epistemology 'serve as a model for his later work on complex orders. It is, in other words, the theme of the limits to reason, which in *The Sensory Order* comes to the fore as the mind's incapacity to understand itself, that goes on fundamentally to structure Hayek's thought.' (Cornelissen 2018: 236).

In his PhD thesis, '*The Market and the People: On the Incompatibility of Neoliberalism and Democracy*', the young Dutch academic Lars Cornelissen offers a twofold argument. First, that neoliberalism, understood as an historically specific form of governmentality, is underpinned by a singular mode of thinking about societal order; a mode of thinking that, in turn, was historically made possible by what is known as the "marginal utility revolution" in political economy. Second, that one crucial implication of the neoliberal conception of societal order is that democratic politics, instead of appearing either as categorically good or as categorically bad, poses a profound *problem* for neoliberal thought; a problem that,

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174 See Carl Ratner's volume '*Cultural Psychology and Qualitative Methodology. Theoretical and Empirical Considerations. Ch. 1. Shortcomings of Positivist Methodology for Researching Cultural Psychology*, p. 13-49. 1997. New York: Springer Science + Business Media.

175 Cornelissen, L., 2018. *The Market and the People: On the Incompatibility of Neoliberalism and Democracy*. PhD thesis, University of Brighton, p. 235-237.

176 Hayek, F.A., *The Sensory Order: An Inquiry into the Foundations of Theoretical Psychology* (Chicago, IL 1952: University of Chicago Press), p. 185.

when pushed to its limits, pitches the people against the market. In this confrontation, the latter must, in the eyes of neoliberal theorists, be victorious over the former. Following Michel Foucault's account of neoliberalism as set out in his 1979 lectures on *The Birth of Biopolitics*, Cornelissen argues that 'the emergence of neoliberal governmentality in the first half of the 20<sup>th</sup> century inaugurates a new phase in the history of modern governmental rationality. What marks neoliberalism's specificity is, in Foucault's view, its turning away from classical liberal technologies of *laissez-faire* and non-intervention and demanding, instead, an ever-vigilant, ever-active form of governmental intervention. According to this account, neoliberalism submits the concept and practice of intervention to a fundamental transformation, requiring not intervention in economic or social processes but, rather, demanding that government act upon the conditions under which economic and social processes emerge in a "spontaneous" fashion. While following Foucault in this last feature being characteristic of neoliberalism's specificity, setting it apart from all modes of governmentality that preceded it, Cornelissen argues that Foucault 'overlooks the fact that this feature is grounded in a specific understanding of societal order. His thesis is that this feature was made possible by 'the marginal utility revolution in economic thought; an epistemological event that was instigated in the early 1870s by three authors, Stanley Jevons, Carl Menger and Léon Walras, each of whom developed, independently of each of the others, a critique of the labor theory of value from a subjectivist perspective. In the hand of Menger in particular, so Cornelissen, this critique precipitated a far-reaching shift in political-economic discourse; one that saw the subject-matter of political economy change from productive labor to the conditions under which individual agents act economically.

Lars Cornelissen endeavored to demonstrate in his dissertation that, as a feature of neoliberal thought – as distinct from neoliberal rationality, which is the object of Wendy Brown's critique<sup>177</sup> –, de-democratization is rooted in a singular conception of societal order; one that, when met with the political aim to construct a competitive order, leads to a philosophical system in which the historical destiny of Western civilization is identified not with the political life of the people, but with the anonymous, spontaneous, 'transcendent' competitive market. *'This means, I venture, that de-democratization is a congenital pathology of neoliberal thought.'* (Cornelissen 2018: 263)<sup>178</sup>. This scholar is by no means the only one providing well founded arguments to underpin the claim of neoliberalism's incompatibility to a genuine democracy in the sense of 'rule by the *demos*'. Particularly regarding the problematic relationship between Mondragon's cooperative ideology and one of its self-acclaimed ultimate objectives, that is, (economic) democracy, the work of Jessica Whyte elucidates the intimate ideological interlinkages between on the one

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177 Brown, W., 2015. *Undoing the Demos: Neoliberalism's Stealth Revolution*. New York: Zone Books.

178 For a similar view on neoliberalism's problematic relation to democracy, see below Jule Goikoetxea in her volume 'Privatizing Democracy' (2017).

hand 'Hayekian neoliberalism' and Maritain's Personalist ideas on democracy and human rights on the other hand.

### *Neoliberalism, Democracy, Jacques Maritain, and Human Rights.*

The Australian philosopher *Jessica Whyte* recently published the volume *'The Morals of the Market, Human Rights and the Rise of Neoliberalism'* (2019). In this 'genealogy of market morality', the author, drawing on detailed archival research, reveals the place of human rights in attempts to develop a moral framework for a market society. The invaluable and at the same time highly relevant insights provided by these researchers will be incorporated in the theoretical perspective of this monograph on the Mondragon cooperative experience. In my view these insights complement and enrich particularly the work of Carl Ratner regarding cooperativism related to the concept 'democracy'.

To trace back ideological commonalities between notably Hayek's paradigm of neoliberal thought and its problematic relationship to democracy on the one hand, and the similar problematic relationship to democracy of the Personalist flavored Catholic social doctrine, being the cornerstone of the Mondragon cooperative ideology, I will heavily though not exclusively<sup>179</sup> draw on the work of *Rise of Neoliberalism.*' Regarding the problematic relationship between Mondragon's cooperative conceptual framework combined with its practices and genuine, radical (economic) democracy and solidarity my periodization theoretically draws on the feminist-Marxist inspired work of the Basque scholar *Jule Goikoetxea* as well. This radical scholar, in addressing 'the reproduction of the Basque demos' takes up Jessop's 'relational-strategic approach'<sup>180</sup> thereby thinking the 'demos delimited by the Basque Autonomous Community (BAC) as "a space (Gramsci 1985) formed on the basis of principles of selection, differentiation and distribution of structurally inscribed strategies: strategies consisting of diverse sorts of capacities and capitals, wherein agencies (Clegg 1992) will be defined by their relational-strategic positions within that space.'" (Goikoetxea 2014: 5).

An additional good reason within the framework of this monograph, to focus on Hayek's paradigm of neoliberal thought and its relationship to democracy, is its opening avenues to trace back philosophical commonalities between on the one hand Hayek's thought (and practice, for instance, regarding the Pinochet regime in Chile), and on the other hand the political thoughts and practices of Jaime Guzmán, Jaime Eyzaguirre and Osvaldo Lira, 'the latter of whom was an early disciple of *Jacques Maritain*, who contributed to the early stages of the UDHR (Universal Declaration of Human Rights), and who Lira described as

179 Also the work of legal scholars like *Radha d'Souza* ('What's Wrong with Rights?') and *Grietje Baars* (*The Corporation, Law and Capitalism*) offers valuable, relevant insights.

180 *Goikoetxea, J., 2014. Nation and democracy building in contemporary Europe: The reproduction of the Basque demos. In: Nationalities Papers, The Journal of Nationalism and Ethnicity, 42, nr. 1, 145-164.*

‘one of the greatest neo-Scholastic figures’.(my emphasis, Jessica Whyte, *The Morals of the Market*, 2019: 187). As this scholar writes, ‘Jaime Guzmán, who drafted the junta’s 1974 Declaration of Principles, had been interested in using law to depoliticize Chilean society since his early days as president of the Catholic University Law School’s Student Union. As a student, Guzmán led the ultraconservative Catholic *gremialista* student group, which united with the Chicago Boys in 1967 to oppose a student revolt demanding democratic selection of the university hierarchy. Guzmán – then a devotee of the fascist corporatism of Franco’s Spanish dictatorship and the reactionary anti-liberal Catholic tradition of Juan Donoso Cortés and Joseph de Maistre - was never a friend of democracy.’ (my emphasis, Wright 2019: 187). Jessica Whyte’s meticulous archival research reveals an undeniable close philosophical-theoretical affinity between on the one hand neoliberals inspired by figures like Hayek, and (ultra)conservative Catholics inspired by ‘one of the greatest neo-Scholastic figures’ like Jacques Maritain, according to Joxe Azurmendi Arizmendiarieta’s most important inspirer. In the context of this monograph on Mondragon, the affinity regarding the problematic relationship between Hayekian neoliberals and Maritainian (ultra)conservative Catholics like Jaime Guzmán or Osvaldo Lira and the concept of ‘democracy’ in the sense of ‘the people’ (the demos) being able and capacitated to govern themselves, seems to me as relevant as disturbing. Precisely because it questions one of the two key elements or ‘constantes’ of Mondragon’s cooperative ‘movement’ in Arizmendiarieta’s own words.

The German scholar Jan Rehmann addresses in his volume *Theories of Ideology* (2014), Chapter Ten, ‘Friedrich Hayek and the Ideological *Dispositif* of Neoliberalism, by scrutinizing (he calls it ‘symptomatic reading’) a small selection of Hayek’s texts in order to offer ‘a guide through neoliberalism’s ideological *dispositif*, and as a symptom of its underlying contradictions.’ (Rehmann 2014: 275). This author presents an incisive deconstruction of Hayek’s ‘negative justice’ concept as an untenable construct and points at ‘the religious structure of Hayek’s market-radicalism’, thereby among others referring to Walter Benjamin ‘one of the few philosophers who took the religious analogies in Marx’s critique of fetishism seriously and described capitalism as a ‘cultic religion’ functioning as a pitiless mechanism that does not redeem but engenders debt and guilt.’ Hayek provides this merciless machine with a suitable deity. (Rehmann 2014: 285). According to the author, Hayek’s doctrine takes on the form of an authoritarian theology, but without its former Judaic-Christian substance, which has been replaced by the reified rule of money, capital, and shareholder-values. In his book *Der Gott der Liberalen*<sup>181</sup> the Dutch philosopher and theologian, Ton Veerkamp, explains Hayek’s ‘authoritarian theology’ by dissecting Hayek’s classic work “*The Road to Serfdom*”, analyzing the key elements of its argument.

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181 Veerkamp, T., 2005. *Der Gott der Liberalen. Eine Kritik des Liberalismus*. Hamburg: Argument Verlag.

'Die Kernaussage lautet: Gerade dadurch, dass die Menschen sich früher den unpersönlichen Kräften des Marktes unterworfen haben, ist die Entwicklung der Kultur möglich gewesen. Wenn wir uns so unterordnen, tragen wir jeden Tag zur Errichtung eines Baues bei, der grösser ist, als irgend jemand von uns voll erfassen kann. Dabei spielt es keine Rolle, ob die Menschen sich früher infolge von Anschauungen untergeordnet haben, die heute vielfach als Aberglaube gelten: aus einem religiösen Gefühl der Demut oder aus einer übertriebenen Achtung vor den lapidaren Theorien der ersten Nationalökonomien.

...Die Weigerung, uns Kräften unterzuordnen, die wir weder verstehen noch als bewusste Entscheidung eines vernunft-begabten Wesens anerkennen, ist die Folge eines unvollständigen und daher in die Irre gehenden Rationalismus." (my emphasis, Hayek cited in Veerkamp 2005: 127).

'Die Unmöglichkeit, wirtschaftliche Prozesse zu begreifen und nach Maszgabe des Begriffenen zu lenken, begründet Hayek zwar nicht religiös, sondern rational, mit den Grenzen des Erkenntnisvermögens. Aber in dem Versuch, einen Überblick über die Wirtschaft zu behalten, masze sich, so Hayek, der Mensch eine Allmacht an, die unerlaubt ist. Die Diktion wird sofort religiös, jenes Streben nach der Fähigkeit, die wirtschaftlichen Prozess in eine gesellschaftlich erwünschte Richtung steuern zu können, führt für Hayek zur Vertreibung aus dem Paradies der Freiheit. *Die Wurzel des Strebens nach dieser Fähigkeit ist in der liberalen Religion die Erbsünde; sie ist der irgeleitete Rationalismus..*" (My emphasis, Veerkamp 2005: 127-8). This Hayekian critique of 'der irgeleitete Rationalismus' exposes a striking parallel to Maritain's critical remarks on rationalism having 'defaced the concept of natural law'<sup>182</sup>. Notably Jessica Whyte has shown the ideological affinities between 'Human Rights and Neoliberalism', included the usefulness of Christian social thinking like that of Jacques Maritain for providing 'the morals of the market'<sup>183</sup>. Or, put otherwise, she identified the ideological function of Maritain's (among others of course) Personalist social catholic thinking embedded in his vision on human rights for Hayek's neoliberal project. In the context of this monograph on the Mondragon cooperative experience the disclosure of this affinity enables me to theoretically underpin the periodization of the 'Arizmendian era' of that experience. That is, drawing on her work, I can explain the ideological compatibility, from the outset, of the Mondragon cooperative philosophy and praxis and the neoliberal project. Particularly interesting in this case appears to be the role of influential members of *Opus Dei*, a Catholic organization tied to the Vatican. Their influence on the economic policy of the Franco regime, notably since

182 Maritain, J., 2011. *Christianity and Democracy. The Rights of Man and Natural Law*. San Francisco: Ignatius Press. Original published as 'Christianisme et démocratie', 1943, New York: Éditions de la Maison Francaise, and 'Les Droits de l'homme et la loi naturelle', 1942, New York: Éditions de la Maison Francaise.

183 Whyte, J., 2019. *The Morals of the Market. Human Rights and the Rise of Neoliberalism*. London, New York: Verso Books.

the second half of the 1950s, pushing this policy in a neoliberal direction, elucidates the State-Church nexus, which proved to be a decisive precondition for the genesis of the Mondragon coops. For instance, the *Opus Dei* member and Minister of Trade from 1957 to 1965, economist Alberto Ullastres was trained by the German, rather famous, Ordoliberal economist Heinrich von Stackelberg<sup>184</sup> (visiting professor in Madrid from 1943 until his death in 1946). Unsurprisingly, this former SS-er and Hitler adept could not really be called a democrat.

### *A remarkable coincidence: Lev Vygotsky's and Hayek's contrasting theorizing the mind.*

At about the same time, in the 1920s, these two scholars elaborated on psychological theory. Working and living in very different social, political, and intellectual environments, Hayek in Austria, Vygotsky in the Soviet Union, their theorizing work was based on sharply contrasting assumptions, resulting in very different ontological, epistemological and methodological approaches to psychology. The fundamental difference between Hayek's and Vygotsky's 'theory of mind' could be demonstrated by comparing their approach to the meaning of '*the individual*' and '*the social*'. In Vygotsky's work on the psychology of children, his reasoning focuses on 'the social' as starting point in the child's developing process of becoming 'an individual', a personality. Key to learning processes is '*cooperation*', for Vygotsky learning is not an individualist activity, but intimately tied to *cooperative*, social activities. In contrast to this line of thinking, Hayek, representing the then (and ever since) dominant approach in psychology, starts from the individual, assumed to be the primordial factor, and viewing the 'social' as secondary. Precisely the Vygotskian social-historical approach to psychology, opposing the Hayekian individualistic approach, underpins Carl Ratner's 'macro cultural psychology', his '*political* philosophy of mind'. In this dissertation I basically draw on Ratner's Marxian-Vygotskian inspired approach. I would argue that this critical approach offers a fruitful theoretical, conceptual framework, constituting a useful heuristic device for a critical scrutiny of the Mondragon cooperative experience. It opens avenues to theorize 'beyond the degeneration thesis' regarding the problems, dilemmas, contradictions presently facing the Mondragon 'coopitalist' cooperatives. To extend and deepen Ratner's political philosophy of mind, my theoretical and methodological focus is directed at the *critical psychology* as developed by notably the German psychologist *Klaus Holzkamp*<sup>185</sup>. This scholar elaborated on a radical alternative, from a Marxist perspective, to the then dominant experimental-statistical psychology.<sup>186</sup> His *critique* on mainstream psychology, that is, *deconstructing* the then dominant version of that academic discipline

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184 See 'Heinrich von Stackelberg and the Diffusion of Ordoliberal Economics in Franco's Spain', in *History of Economic Ideas*, 2012, Vol. XX, nr. 3.

185 Holzkamp, K., (Hrg.), 1977. *Kritische Psychologie*. In: *Das Argument*, Band 1.

186 Holzkamp, K., 1983. *Grundlegung der Psychologie*. Frankfurt am Main: Campus.

and subsequently reconstructing a materialist-historical-dialectical approach, à la Vygotsky or Leontiev, closely affiliated to Ratner's Marxian-Vygotskian approach, will be combined with the research of a group of scholars on the theory of ideology, the "*Projekt Ideologietheorie*" (PIT). For this monograph the work of Wolfgang Fritz Haug, Frigga Haug and most importantly, Jan Rehmann will be applied to underpin my theorizing 'beyond the degeneration thesis'

Returning to Hayek's *subjectivist psychological foundation* of 'his' neoliberalism, the *opposing critical* psychological theoretical, that is, ontological, epistemological, methodological, and normative framework, complemented by my combined critical psychological and ideology-critical approach, will be put to work.

***The theoretical foundation of Mondragon's cooperative philosophy critically scrutinized. Twofold deductivism – Mondragon's methodological 'original sin'.***

Focusing on the *theoretical* perspective of the Mondragon cooperative experience, I would argue its original, fundamental, and persisting flaw consists of being grounded in a *twofold deductivist methodology*. That is, based on a deductivist approach, first, to political economy, and second to its cooperative imaginary. Or, to put it in Ratner's macro cultural psychological terms, a deductivist methodology regarding its most important subsystems: political economy and cognition/language.

1) Mondragon's cooperative praxis and political economy.

Methodologically speaking, Mondragon's approach to political economy can be described as 'analytical reduction', in contrast to the historical-critical reconstruction adopted in this monograph.<sup>187</sup>

In brief terms and to start with the political economy subsystem: Mondragon's economic reasoning basically follows mainstream economics, dominated by methodological individualism and rational choice theory. This 'analytical' or 'logical' method builds on the presupposition that social reality is 'closed'. Since social reality is known to be fundamentally 'open', it is difficult to see how models of that kind can explain anything about what happens in such a universe. *Postulating* closed conditions to make models operational and the impute these closed conditions to society's real structure is an unwarranted procedure that does not take necessary ontological considerations seriously. (Lars P. Syll, blog posted 7 July 2021). Professor Syll points out that 'social relations and contexts cannot be reduced to individual phenomena. A cheque presupposes a banking system and being a tribe-member presupposes a tribe. Not taking account of this in

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187 Cf. Jan Rehmann, in his 'Theories of Ideology' (2013), p. 53.

their ‘analytical’ approach, economic ‘analysis’ becomes uninformative nonsense.<sup>188</sup> According to this Swedish economist ‘society is not a Wittgensteinian ‘Tractatus-world’ characterized by atomistic states of affairs. *Society is not reducible to individuals*, since the social characteristics, forces, and actions of the individual are determined by pre-existing social structures and positions. Even though society is not a volitional individual, and the individual is not an entity given outside of society, the individual (actor) and the society (structure) must be kept analytically distinct. They are tied together through the individual’s reproduction and transformation of already given social structures.

*Since at least the marginal revolution in economics in the 1870s*<sup>189</sup> it has been an essential feature of economics to ‘analytically’ treat individuals as essentially independent and separate entities of action and decision. But, really, in such a complex, organic and evolutionary system as an economy, that kind of independence is a *deeply unrealistic assumption* to make. To simply *assume* that there is strict independence between the variables we try to analyze doesn’t help us the least if that hypothesis turns out to be unwarranted.’ (Emphasis added, Syll 2021).

2) Mondragon’s cooperative praxis and cognition & language (semiotic moment).

Second, regarding Mondragon’s flawed cooperative imaginary, I claim this conceptual framework ultimately draws on a Personalist interpretation of the Catholic social doctrine, in turn built on a *deductivist* approach to Catholic doctrines regarding social reality.

In 1979, the French priest (of the Dominican order), Marie-Dominique Chenu, a prominent theologian and historian, published a brief book about the social doctrine of the Catholic Church. Indicated by the title “*La ‘doctrine sociale’ de l’église comme idéologie*” he evaluates this social doctrine as functioning like an ideology, affirmative to the social status quo. Scrutinizing the vicissitudes of the term ‘social doctrine’, since notably the Papal Letter *Rerum Novarum* (1891, Pope Leo XIII), and *Quadragesimo Anno* (1931, Pope Pius XI), evolving in the years of Vatican Council II, Chenu concludes that the dominant, that is, the officially Vatican-approved interpretation of that social doctrine follows a

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188 See David Harvey in his ‘Marx, Capital and the Madness of Economic Reason’, 2017, Profile Books, notably Ch. 9, *The Madness of Economic Reason*, pp. 172-206.

189 See the doctoral thesis of Lars Cornelissen (2018) for a similar argument regarding Foucault’s overlooking neoliberalism’s specificity had been made possible by ‘the marginal utility revolution in economic thought; an epistemological event that was instigated in the early 1870s by three authors, Stanley Jevons, Carl Menger and Léon Walras, each of whom developed, independently of each of the others, a critique of the labor theory of value from a subjectivist perspective.’ (Cornelissen, 2018: 12). Interestingly, Hayek started his academic career in psychology, developing a ‘subjectivistic epistemology’ in his ‘theory of mind’.

deductivist approach, ultimately based upon religious dogmas. He proposes, in contrast to this 'ideology', an *inductivist* approach, as advocated by Pope John XXIII in the first years of the Second Vatican Council, exemplified by particularly *Gaudium et spes*, using a 'new language of the Church' (Chenu 1979: 65), '*L'église dans le monde*', c'est le titre de la constitution. Entrée dans la langue nouvelle de l'église, l'expression "signes des temps" sera fréquemment reprise dans les documents officiels, en particulier par Paul VI. According to Chenu, this Pope Paul VI<sup>190</sup> proposes a reversal in approach to social and economic topics, that is, from a deductivist to an inductivist approach: "non plus 'doctrine sociale' enseignée en vue d'une application à des situations changeantes, mais ces situations mêmes deviennent le "lieu" théologique d'un discernement à mener, par *la lecture des signes des temps*. Non plus déduction, mais méthode inductive'. (Emphasis added, Chenu 1979: 80). To adapt to the process of secularization, accelerating in the early 60s, the Second Vatican Council tried to find ways to bring the church closer to the people.<sup>191</sup> But this policy of '*aggiornamento*' did not last long. In the first years having paved the way for the rise of liberation theology, which was in part based on a profane class analysis, and for an opening to the Left in general, this 'opening the window' approach was quickly reversed. Notably after the election of the Polish Pope John Paul II (K. Woytila), by some scholars considered to be an 'integralist', ideologically closely affiliated with the thinking of Arizmendiarieta's great inspirer, Jacques Maritain, the opening to the Left was put to an end. According to Joxe Azurmendi, Maritain's book '*Humanisme Intégral*', published 1936, would become a key inspirational text to Mondragon's founder. The 'integralism' of figures like Maritain or Woytila can be traced back to the latter part of the nineteenth century. During that era the rise of modernism and the rivalry between the Roman Catholic Church and the liberal state gave birth to this new ideological current within the Church. Integralism rejected modernist thought and all social and political activities other than those conceived in Catholic inspiration. As an anti-pluralist movement, integralism implicitly rejects the division between church and state. 'Nowadays integralist tendencies are strongest in the ranks of the lay movements *Opus Dei* and *Communione e Liberazione*; among conservative Catholics in Poland and France; and within several correnti (currents) of Christian Democracy in Italy. The centralist policies of Pope John Paul II have also been considered integralist.' (Van Wesel 1992: 237-8). Van Wesel writes: 'As archbishop of Krakow Woytila opposed every deviation from official dogma. A supporter of *Opus Dei*, he considered Christianity a closed system which was not open to criticism'.

Not surprisingly, Pope John Paul II (as well as his successor the German Joseph Ratzinger) vehemently rejected liberation theology – and, in the context of this monograph, liberation

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190      The Manifesto of the Basque priests, we will discuss below, was directed to this Pope. This Manifesto demands radical change in the Church's social and political praxis.

191      Ad van Wesel in: '*Christianity and Hegemony, Religion and Politics on the Frontiers of Social Change*', ed. by Jan Nederveen Pieterse, 1992. New York and Oxford: Berg.

psychology – and attacked theologians deviating from the dogmas of the Vatican. Ratzinger not only rejected the political implications of liberation theology but forbade social analysis in theology altogether. (Van Wesel 1992: 244).

For the purpose of this monograph, it is important to ascertain the fact, noted by Joxe Azurmendi, that father Arizmendiarieta ‘never ceased to striving to defend the Church in public’ (Azurmendi 1984: 44). He obviously decided to obey the official ‘reading’ of the Church’s social doctrine, that means *dismissing* the alternative, non-deductivist and dogmatic approach to social topics like, for instance, Martín-Baró’s macro cultural psychological liberation psychology/theology. This topic will be addressed in the historical Part Two regarding the Manifesto of the Basque priests directed to Pope Paul VI, the Spanish ecclesiastical hierarchy and the Franco regime.

My ‘periodization’ of father Arizmendiarieta’s working on the ‘architecture’ of the Mondragon co-ops draws on a qualified adoption of Joxe Azurmendi’s account in his ‘*The Cooperative Man*’. That is, I follow his conclusion that Arizmendiarieta’s cooperative ‘business formula’ must be viewed as the consequence of his (largely Maritainian) Personalist interpretation of the Catholic social doctrine, in other words, as *the theoretical foundation of his cooperative philosophy*, but I beg to differ in regard to the ‘radically different path’ (his choice for a laborist/socialist approach) Arizmendiarieta would have taken since about the late 40s. Azurmendi suggests this ‘radically different path’ can be derived from the priest’s rather frequently referring to figures like the British politicians Attlee, Ramsay MacDonald or Stafford Cripps. In contrast to Azurmendi’s perception, I argue that Arizmendiarieta’s alleged radically different path wasn’t that different at all. In my view, Azurmendi overlooks the commonalities between Arizmendiarieta’s Personalist vision and his (societal or liberal) corporatist ‘laborist/socialist’ imaginary. My critique of Azurmendi’s interpretation is grounded in the critical scrutiny of a range of scholars regarding the basic features of, on the one hand Maritain’s Personalist, integralist vision, and on the other hand the corporatist traits of social democracy as ‘practiced’ by politicians like Attlee or MacDonald.

Put in theoretical terms, my critical, materialist, historical and dialectical approach fundamentally differs from Azurmendi’s approach. First of all, most importantly, this Basque scholar’s work on Arizmendiarieta’s thought explicitly limits itself to ‘the

systematic exposition of his thought', thereby excluding a *historical* investigation.<sup>192</sup> Largely, if not exclusively drawing on Arizmendiarieta's own writings in order to construct his conceptual framework in regard to the Mondragon cooperatives, Joxe Azurmendi remains confined to 'the prison of Arizmendiarieta's ideas', to paraphrase Dave Renton in his elaboration of a critical theory of fascism<sup>193</sup>. Or, to adopt the terminology of Andreas Bieler and Adam David Morton regarding the conceptualization of the role of ideas<sup>194</sup>, Azurmendi's 'systematic' approach leaves no room for understanding Arizmendiarieta's ideas as partly constituting the wider social totality of the Mondragon cooperative experience. For a similar theoretical approach see Colin Hay in his '*Political Analysis*', section 'The causal and constitutive role of ideas', or Wolfgang Fritz Haug in his recently published volume '*Vorschule zur Philosophie der Praxis*'<sup>195</sup>. The latter scholar, addressing the 'dialectic of subjective and objective moments in labor and knowledge' as the result of a non-dialectic, fixed and absolute conceptualizing of '*Subjekt*' and '*Objekt*', failing to see these 'poles of knowledge relations' as 'moments of a movement' as well as moments of a much more complex totality. According to Haug, such a flawed conceptualizing of 'subject' and 'object' results in little more than 'the old idealist misery of a human being confined to her/his subjectivity'. (Haug 2021: 70-71).

***Mondragon's 'contradictory unity': the two different logics of the Mondragon co-ops: the business logic and the cooperative-territorial logic theoretically revisited.***

The analysis of Mondragon's (co)founders' José María Ormaetxea, Alfonso Gorroñoitía and Jesús Larrañaga discourse regarding the problems facing the Mondragon coops, by Joseba Azkarraga (Azkarraga in his Pd.D. thesis (2006)<sup>196</sup> pays much attention to

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- 192 Azurmendi, J., 1984. *El Hombre Cooperativo. Pensamiento de Arizmendiarieta*. Page 21: "Finally, a third objective must be cited as a concern that cannot be ignored: Arizmendiarieta's thought, through his writings, underwent a dramatic evolution between 1941 and 1976. We have worked, to the extent that it does not conflict with our second systematic objective, to analyze the causes and the ways in which this has happened over the years. But we always recognize the primacy of the systematic, not historical, exposition of his thought." (Emphasis added).
- 193 Renton, D., 1999. *Fascism. Theory and Practice*. Ch. 2: *The prison of ideas*. P. 18-29. London and Sterling (Va. USA): Pluto Press.
- 194 Bieler, A., & Morton, A.D., 2018. *Global Capitalism, Global War, Global Crisis*. Ch. 3: *The Material Structure of Ideology*, p. 51. Cambridge: Cambridge University Press.
- 195 Haug, W.F., 2021. *Vorschule zur Philosophie der Praxis*. P. 70-71. Hamburg: Argument Verlag/InkriT.
- 196 Azkarraga Etxagibel, J., 2006, *Identitate kooperatiboaren bilakaera: Arrasateko kooperatiba esperientzia*. Dissertation University of the Basque Country (UPV-EHU), *Empirical Part, Análisis del discurso de los fundadores*, pp. 722-1038.

the two different 'logics' of Mondragon's coops. The first logic called the Mondragon-style '*cooperative logic*', that is, inspired by father Arizmendiarieta, a cooperative 'logic' based on 'a community of persons' ('una sociedad de personas') (Azkarraga 2006: 836), the second 'logic', 'contradictory to the cooperative philosophy (as designed by Arizmendiarieta), being a *market based, globalized capitalist logic*. Regarding the conceptualizing of the first mentioned logic, the Personalist inspired cooperative one, it is obvious the co-founders are referring to the Basque Country and the Basque people as the birthplace, the territory and its people where and with it all started. But, in a similar vein like their great inspirer, father José María, their analysis of this 'degeneration process', at this point focused on the '*cooperative-territorial*' dimension, falls short to closely scrutinize the problems considered to be problematic. That is, they fail to 'problematize', theoretically as well as historically, these striking *contradictory*, basic 'logics' of 'their' Mondragon cooperatives. In fact, the co-founders demonstrate being loyal, ideological heirs to father Arizmendiarieta. Just like their inspirer they fail to provide a critical analysis of the fundamental flaws in the capitalist system, precisely the key motivation to develop a *radical* alternative 'business model' in turn the political economic 'vehicle' to the emergence of a 'new person'. Clearly reflecting their inspirer's conceptual (and practical) framework, they remain trapped in Arizmendi's a-political, moral-theological and subjectivist approach, inhibiting to overcome the obvious contradictions within the Mondragon cooperative ideology. Regarding the '*cooperative-territorial*' logic, or, put otherwise in the terms of Jon Sarasua,<sup>197</sup> '*el factor país*', their way of addressing this key identity-building element remains limited to linking the Mondragon co-ops to their original geographical environment, that is, the Basque Country. But this alluding to the (Basque) community, in all its vagueness, is not very helpful in clarifying what this 'community' really means. Reflecting maybe the most fundamental flaw in Mondragon's ideology, its alleged a-political approach, the co-founders consequently circumvent inconvenient, uneasy questions like, as far as the '*cooperative-territorial*' logic is concerned: what about the democratization of the Basque territories, or, put in geographical theoretical terms: what about the political organization of space? (Edward Soja)<sup>198</sup>. Or: what about the sovereignty of the Basque 'demos'. What about self-government for the Basque Country? What about the process of 'denationalization of the territory'<sup>199</sup>, being another word for 'privatization of democracy', or, in the words of Jule Goikoetxea, 'de-democratization'<sup>200</sup>? In view of 'democracy' being one of the '*constantes*' of father Arizmendiarieta's cooperative

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197 Sarasua, J., 2010. *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa. Cuadernos de Lanki (3)*. Eskoriatza: Lanki.

198 Soja, E., 1971. *The Political Organization of Space*. Washington, DC: Association of American Geographers.

199 Sassen, S., 2008. *Territory, Authority, Rights: From Medieval to Global Assemblages*. Princeton, NJ.: Princeton University Press.

200 Goikoetxea, J., 2017. *Privatizing Democracy. Global Ideas, European Politics and Basque Territories*.

'movement', combined with the '*factor país*', any reflection on this allegedly crucial element of 'Mondragon' proves to be conspicuously absent in the discussion of the co-founders. Incidentally, this absence seems to be conventional in mainstream literature on the Mondragon experience.

Neither Mondragon's founding father, nor his co-founders or researchers afterwards involved in reflecting on 'the Mondragon experience', notably focusing on cooperativism in general and Basque cooperativism specifically, thus far offered a thorough conceptualization of such basic ideas like the meaning of 'territory', or 'territoriality', the meaning of the 'Basque demos' related to 'sovereignty' and 'democratization'. For example, in his Lanki report (Cuadernos de Lanki, 3, 2010), titled "*Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa*", Mondragon researcher Jon Sarasua points at '*the factor país*' (territory)<sup>201</sup>, being an important identity and cohesion constituting element in the Mondragon experience. (Sarasua 2010: 33-4). He emphasizes the 'difficult equilibrium between the factor P (País) and international expansion', while noting this equilibrium has always been a difficulty for the Mondragon coops because of its two 'different logics'. One logic being the 'business logic' ('*la lógica empresarial*'), the other regarding the identification of Mondragon's '*ámbito territorial soberano-nuclear y otros ámbitos territoriales*', that is, the 'territorial logic', as I understand this formulation of Sarasua, the relations between Mondragon's 'sovereign-core territory' (the Basque Country) and other territories, or, in other words, between '*la comarca*' ('the region') and '*el país*' (the State, or do we have to think of the 'nation-state'?). In my view it would have been helpful if Jon Sarasua had elaborated on thoroughly theorizing and historically contextualizing these key, diverging, if not contradictory 'logics'. Particularly the rather vague and ambiguous terms '*comarca*' (region?) and '*país*' (State, or Nation-State) should be clarified philosophically-theoretically to prevent unnecessary confusion, impeding debates on the topic.

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201      Sarasua, J., 2010, January. *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa*. Eskoriatza: Cuadernos de Lanki (3).

At this point, I would propose to put to work the invaluable theorizing work of scholars like Edward Soja<sup>202</sup>, Robert Sack<sup>203</sup>, Jean Gottmann<sup>204</sup>, Saskia Sassen<sup>205</sup>, Bob Jessop<sup>206</sup>, and, particularly for the purpose of this monograph on the Mondragon (or: Basque, in the words of Sarasua) experience, the work of Jule Goikoetxea<sup>207</sup> to elaborate on the theorizing of precisely these key elements of that experience: the political organization of space, democratization, sovereignty, power and political technology, territoriality and the demarcation of boundaries. Fitting in the theoretical perspective of this monograph, the last-mentioned Basque scholar, in her work on Basque democratization, adopts Jessop's SRA (strategic-relational approach), thereby providing a theoretical as well as empirical valuable contribution to the underpinning of my 'original sin thesis'. I contend the work of the just mentioned scholars not only corrects some flaws in the mainstream approaches to the Mondragon cooperative experience, but also facilitates the elaboration of an 'explanatory critique' of that experience.

### *Degeneration and Mondragon's two irreconcilable logics.*

A key constitutive element of the 'moribund' atmosphere exposed in the discussions these co-founders had on the, in their vision, *degenerated* Mondragon cooperations ('the new order and the new person never came into being, Arizmendiarieta's 'moral pretentions' never realized) seemed to them the *irreconcilability* of these two obvious contrasting 'logics', foundational to the Mondragon experience. "Las coacciones que el mercado impone aparecen como insalvables." (Azkarraga 2006: 839).

While lamenting the abandoning of Arizmendiarieta's original 'ethics' and 'moral' by the present Mondragon-management, thereby stimulating the loss of Mondragon's original identity, the same co-founders acknowledge 'there is no alternative' other than to resign

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- 202 Soja, E., 1971. *The Political Organization of Space*. Washington, DC: Association of American Geographers.
- 203 Sack, R., 1986. *Human Territoriality. Its Theory and History*. Cambridge: Cambridge University Press.
- 204 Gottmann, J. 1973. *The Significance of Territory*. Charlottesville: University of Virginia Press.
- 205 Sassen, S., 2008. *Territory, Authority, Rights: From Medieval to Global Assemblages*. Princeton, NJ: Princeton University Press.
- 206 Jessop, B., 1982. *The Capitalist State: Marxist Theories and Methods*. New York: New York University Press.
- Ibid*, 2002. *The Future of the Capitalist State*. Cambridge: Polity.
- Ibid*, 2008. *State Power: A Strategic Relational Approach*. Cambridge: Polity Press.
- Ibid*, 1990. *State Theory: Putting the capitalist state in its place*. Cambridge: Polity.
- 207 Goikoetxea, J., 2017. *Privatizing Democracy. Global Ideas, European Politics and Basque Territories*. Peter Lang.

to the laws of the world market. In their own words: "*El mercado representa una lógica superior que está por encima de cualquier otra. Es algo inamovible, cosificado, ante cuya lógica no existe otra opción que la plegarse y adaptarse a tal configuración, viéndose desactivado e imposibilitado, o cuando menos fuertemente mermada, su vocación transformadora del orden en el que se inscribe.*" (Azkarraga 2006: 840). The co-founders acknowledge they don't see any other option than adapting to the compelling laws of global capitalism, while at the same time pointing at the serious injuring of Mondragon's transformative capacities resulting from this adaptation. Like Ormaetxea noted: this market concept has -regrettably- been internalized in the managers' minds, nevertheless he understands and accepts this process of internalization. (Azkarraga 2006: 840). These and other passages in the text analyzed by Azkarraga undoubtedly show the fundamental contradictory nature of Mondragon's cooperative ideology. On the one hand claiming to offer a radical alternative to the capitalist system, on the other hand, at the same time, adopting capitalism's basic premises and assumptions.

The theoretical perspective of this monograph enables me to unravel the deeply problematic relationship between the key tenets of the Mondragon cooperative 'movement' being *solidarity and democracy*, not only during the genesis and consolidation of the Mondragon co-ops in its first two decades (the Franco era), but also since that painful era up to our present days. Adopting an extended and deepened macro cultural psychological approach facilitates a broader than conventional analytical scope on the Mondragon-type of cooperative, viewed as an alternative work organization. For this 'heuristic device' I am gratefully drawing on the dialectical model proposed by Ronald Hartz<sup>208</sup>. Rather than, like in mainstream approaches, focusing on the 'meso-level' of the Mondragon co-ops as labor organizations, thereby largely ignoring the intimate, dialectical economic context at different spatio-temporal scales, and on the other hand the *micro-level*, that is, the level of 'the subject', or of 'subjectivization', my approach addresses the Mondragon co-ops as the result of complex historical processes and events, encompassing psychological dispositions, political-juridical constellations and technological developments. This approach requires a thorough analysis of the labor - organization dialectic, impossible without scrutinizing the dialectic of the 'meso-level', or organizational level, and the macro- or societal level. Put otherwise, we cannot understand the Mondragon cooperatives conceptually and historically *isolated* from the political economic order of (Basque) Spain, Europe, and the global world 'order' from the 1940s up to the present. Indeed, to borrow the subtitle of Goikoetxea's volume '*Privatizing Democracy*', this monograph concerns 'global ideals, European politics and Basque territories'.

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208 Hartz, R., 2009. "*Dieses Anderssein aufzuheben...*" *Grundlagen einer dialektischen Theorie der modernen Arbeitsorganisation*. Münster: Verlag Westfälisches Dampfboot.

More concretely, rather than ‘simply’ juxtaposing the original activities of building up and consolidation of the Mondragon co-ops by father Arizmendiarieta and his pupils or collaborators, and the dictatorial ruling of the Franco regime, my critical approach enables to answer the crucial question, as important as uneasy I would say, *why* could the ‘Mondragon cooperative experience’ get started and being developed *anyway with the consent* of an obvious undemocratic regime not really known as focused on the self-acclaimed core values of ‘solidarity’ and ‘(economic) democracy’? Put differently, *why* did not and could not ‘Mondragon’ live up to its self-acclaimed ultimate objectives? No matter how detailed the mainstream accounts of *who* did *what* and *when*, this in my view fundamental ‘*why*’ question is never asked. Such approach lacks the potential to *explain* the ‘fundamental and original *contradictions* within the Mondragon cooperative ‘model’. Contradictions, unresolved till today.

## **2.5 Rethinking Mondragon’s cooperativism as empowerment and emancipation: two contrasting approaches compared**

In order to address Mondragon’s cooperative experience as a social experiment on empowerment and emancipation, in the historical context of, first, the era of Franco’s regime, focused in this particular case on Franco’s labor policy, subsequently, since Spain’s transforming into a liberal democracy, on the political economic context of Spain in the neo liberalized political EU (and world) order, two contrasting approaches will be outlined. One approach basically drawing on the work of critical psychologist *Carl Ratner*, and one heavily drawing on the version of Personalism as elaborated by *Jacques Maritain*, the main inspirational source of Mondragon’s founding father, Arizmendiarieta. The latter approach to the Mondragon cooperative experience dominates the mainstream body of literature, the former, if not completely ignored, in any case dismissed, out of hand rejected as invalid, presumably because of its Marxian-Vygotskian underpinning.

First, the key philosophical-theoretical tenets of the Spanish born Jesuit priest Ignacio Martín-Baró, who developed his ‘*Liberation Psychology*’ and attempted to practice this approach to empowerment and emancipation in El Salvador, till the day he was assassinated by a death squad in 1989. This priest and psychologist, just like priest Arizmendiarieta in Basque Spain, tried to ‘construct a new person in a new society’.

Second, in comparison to Martín-Baró, the emancipatory and empowering social experiment of Mondragón’s founding father, Don José María Arizmendiarieta, will be assessed through the lens of my theoretical perspective, outlined in this Part One of the monograph.

Both catholic priests dedicated their life and work to the empowerment and emancipation of the working class, the ‘*trabajadores*’ (Arizmendiarieta), or the ‘*campesinos*’ (Martín-Baró), but from a radically different perspective.

Father Martín-Baró, mainly working as a village priest in El Salvador, trained and steeped in psychological theory and research (next to theology of course) aligned himself with the Salvadorian people in their collective resistance to oppression and their struggle for peace and justice. He embraced the 'preferential option for the poor', a central tenet of Liberation Theology. This was his stance as Jesuit, parish priest, and theologian. It was also the center point of his work as a psychologist.

Father Arizmendiarieta, ordained priest in 1940, in Francoist Spain at the time that this regime allied to Hitler's Naziregime and Mussolini's fascists, originally dedicated himself to youth and educational activities, subsequently to developing co-ops based on self-governance of the cooperative workers' organizations. His cooperative 'model' was grounded in a Personalist philosophy incorporating 'the human dignity of the workers' as a central tenet. According to Joxe Azurmendi's influential account of Arizmendiarieta's thought, *Mondragon's founding father's cooperative 'business formula' must be seen as 'no more than the consequence of that [Personalist] philosophy, and without it, is reduced to a mere business formula, lacking its principal theoretical support.'* (Azurmendi 1984: 23). Azurmendi considered particularly the social thinking of Jacques Maritain to be Arizmendiarieta's most important philosophical, theoretical source and inspiration.

One of the notable differences between these two priests was Martín-Baró's being a prolific scholarly writer (in the field of psychology which came to be known as 'liberation psychology'), combined with his activist stance in aligning himself with the oppressed Salvadorian people, and in contrast to Arizmendiarieta's so called 'a-political, and a-historical' commitment to the equally oppressed working class people of the little Basque locksmith town Arrasate (Mondragon in Spanish language). The latter priest, while interested in a variety of subjects, did not author any scholarly book or essay outlining in a systematic way his cooperative philosophy, program, or strategy. His way of operating has been conventionally described as 'pragmatic'.

According to Ratner<sup>209</sup> Martín-Baró's Liberation Psychology provides 'an excellent introduction to cultural-historical/macro cultural psychology'. Referring to the crucial importance of 'macro cultural factors on psychology and behavior' in his political philosophy of mind, the author states '*underestimating the weight of macro cultural factors on psychology/behavior prevents adequate emancipatory programs. This is the political consequence of inadequate psychological science. All the psychological science that underestimates the massive power of macro cultural factors on psychology/behavior, becomes a political prop for undermining needed cultural-political transformation, and therefore for preserving the status quo.*' (my emphasis), (Ratner 2019: 23). This proposition regarding the 'massive power of macro cultural factors' (like the Church)

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209 Ratner, C., 2019. *Psychology's Contribution to Socio-Cultural, Political, and Individual Emancipation*. Palgrave Macmillan, p. 37.

has been elucidated by the just mentioned work of Chenu on the ideological function of the Church's social doctrine.

My account of the combined Ratnerian and Martín-Baró's macro cultural psychological approach as analytical, conceptual framework offers a fruitful heuristic device to an *explanatory critique* of Arizmendiarieta's/Mondragon's originally, fundamentally flawed cooperative praxis. The former scholars' philosophical-theoretical perspectives enabling me to shed light on the most important deficiencies of the last's cooperative praxis in Mondragon, being his alleged 'a-political' and 'a-historical' approach.

## **2.6 Conscientization of historical memory in Liberation Psychology compared to Arizmendiarieta's Cooperativist vision**

At this point in displaying my theoretical perspective, I would focus on the concept of 'conscientization', extended to 'conscientization of historical memory' to elucidate a fundamental difference between two competing explanations of the actual, present problems and contradictions facing the Mondragon co-ops.

According to Martín-Baró the fundamental 'horizon for psychology as a field of knowledge is *conscientización*'.<sup>210</sup> This concept, originally coined by Frantz Fanon<sup>211</sup>, and prominently used by Paulo Freire<sup>212</sup> and later by Martín-Baró, characterizes 'the process of personal and social transformation experienced by the oppressed of Latin America when they become literate in dialectic with their world. For Freire literacy does not consist simply in learning to write on paper or to read the written word; literacy is above all learning to read the surrounding reality and to write one's own history.'<sup>213</sup> In the words of Martín-Baró: 'What counts is not so much knowing how to code and decode strange words, but rather learning to say the word of one's own existence, which is personal but, more significantly, collective. The author points at these three points in the process of *conscientización*'<sup>214</sup>:

1. *The human being is transformed through changing his or her reality.* It follows that this has to do with a dialectical process, an active process that cannot be taught by imposition but only through dialogue.

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210 Martín-Baró, I., 1985. *The role of the Psychologist*. In: *Writings for a Liberation Psychology*, eds. Adrienne Aron and Shawn Corne, Harvard University Press, p. 39.

211 Fanon, F., 1963. *The Wretched of the Earth*. New York: Grove Press.

212 Freire, P., 1971. *Pedagogy of the Oppressed*. New York: Herder and Herder.

213 *This writing a people its own history is exactly what historian Paul Preston points at in his plea for a 'recovery of historical memory', a recovery that proved to be impossible during the years of the Franco dictatorship. (See Preston's 'The Spanish Holocaust', 2013, p. 520).*

214 Martín-Baró, 1985. *The Role of the Psychologist*, in: *Writings for a Liberation Psychology*, p. 40.

2. *Through the gradual decoding of their world, people grasp the mechanisms of oppression and dehumanization.* This crumbles the consciousness that mystifies that situation as natural and opens up the horizon to new possibilities for action. This critical consciousness of others and of the surrounding reality brings with it the possibility of a new praxis, which at the same time makes possible new forms of consciousness.
  
3. *People's new knowledge of their surrounding reality carries them to a new understanding of themselves and, most important, of their social identity.* They begin to discover themselves in their mastery of nature, in their actions that transforms things, in their active role in relation to others. All this allows them to discover not only the roots of what they are but also the horizon, what they can become. Thus, the recovery of their historical memory offers a base for a more autonomous determination of their future.

In an article addressing 'elements of socio-political conscientization in the curricula of universities'<sup>215</sup> Martín-Baró states that conscientization "demands serious examination of consciousness". He acknowledges that conscientization is fundamental to Marxism.

*He emphasizes that "conscientization is political or it is not conscientization. Ignorance of politics is the negation [antithesis] of the process of conscientization. Conscientization that abstracts from concrete politics insidiously perpetuates dependency and oppression. (my emphasis, HW).*

A new political, social consciousness is necessary to envision a new historical future that is liberation. According to him, conscientization is not a construction of personal meanings that emanate from within consciousness. It is a deeper awareness of the political nature of culture and subjectivity."<sup>216</sup> Referring to Joxe Azurmendi's assessment of Arizmendiarieta's obvious *a-political* and *a-historical* approach, we are pressed on the conclusion that Arizmendiarieta's approach contradicts Martín-Baró's liberation psychology. These approaches fundamentally differ regarding their emancipatory potential. This will be shown in the theoretically informed periodization of this monograph's historical Part Two. While Carl Ratner, pointing at 'ruling powers striving to falsify memories about the nature of oppression, the reasons for oppression and the successful resistances to oppression', thereby providing some American examples, it has been the eminent English historian and Hispanist Paul Preston who brought to the fore the insidious role played by the Franco regime all the way to its end, mid 70s, in that striving

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215 Martín-Baró et al., 1975. *Elementos de Conscientización en los Curricula Universitarios*. Guatamala: FUPAC.

216 Martín-Baró quoted by Carl Ratner in his volume *'Psychology's Contribution to Socio-Cultural, Political, and Individual Emancipation'*, p. 45.

to falsify memories and preventing the much needed 'recovery of historical memory' of Spain's painful history. Preston writes: 'After the (civil, HW) war came the third and most enduring state. By dint of totalitarian control of the education system and of all the means of public communication, press, radio and the publishing industry, the Franco regime made a powerfully sustained attempt to brainwash its population.'

"...The rewriting of history – and denial of the experiences and recollections of both victors and victims – absolved the military rebels of guilt and sanitized the regime abroad. The process inflicted great long-term damage on Spanish society. To this day, its powerful residual effects hamper the ability of mainstream contemporary society to look upon its recent violent past in an open and honest way that could facilitate the necessary social and political closure." (Preston 2013: 520).

Now, 2021, 46 years after Franco's death, the recovery of The Basque Country's painful history appears still not be completed, as a documentary on Dutch tv recently showed.<sup>217</sup> In view of the undeniable substantial role of the Catholic Church in this awkward strategy of brainwashing and rewriting history, the silence of father Arizmendiarieta on the atrocities of the Franco regime, coupled to his obedience to the Spanish ecclesiastical hierarchy at the time, seems to be disturbing, notably if we compare this position to his high-flown ultimate objectives, that is, striving for a new social order which would provide decent work for a dignified working class.

### ***Martín-Baró's liberation psychology versus Arizmendiarieta's Personalist cooperativism.***

While his colleague priest in El Salvador actively took side of the poor 'campesinos', based on this theological and psychological liberation philosophy and practice, father Arizmendiarieta made his choice to collaborate with the Franco regime, right from the start, to build up his cooperative 'movement', based on 'solidarity' and 'democracy' as the key elements of his cooperative imaginary. This imaginary clearly drawing on a particular 'Personalist' strand of the Catholic social doctrine as formulated by papal encyclical letters like *Rerum Novarum* and *Quadragesimo Anno*. Arizmendiarieta's approach to 'the social question' contrasted sharply with Martín-Baró's ideas and practices. The Basque priest's 'doctrinal framework' (as termed by Joxe Azurmendi) proved to be compatible with the corporatist, fascist inspired '*Fuero del Trabajo*', the ideological-programmatic most important labor regulating text in Spain from 1939 to 1967. It is no exaggeration to state that these two approaches constitute 'two worlds apart'.

To theoretically and methodologically unpack the worlds apart from Arizmendiarieta's cooperative 'movement' and Martín-Baró's 'liberation psychology' we have to scrutinize

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217      *Television Documentary called 'Brieven aan de rest van Spanje' (Letters to the rest of Spain), made by Stef Biemans, September 2021.*

the different philosophical-theoretical, that is, the ontological, epistemological and methodological underpinning of these different approaches and the practical consequences of these differences.

*The practical ramifications of Mondragon's doctrinal framework historically reconstructed.*

In brief terms, the work on founding and consolidating the Mondragon cooperatives of priest Arizmendiarieta during the oppressive Franco regime in Spain from the 1940s to mid-70s was, philosophically-theoretically, basically grounded in the Personalist inspired social doctrine of the Roman Catholic Church. Notably in the first years of his lifetime in Mondragon, working as parish priest, Arizmendiarieta proved to be obedient to a then reactionary, even largely Franco-minded ecclesiastical hierarchy. Always avoiding 'conflicts by all means, especially those that could have any political nature' (Azurmendi 1984: 68) his activities in the little Basque locksmith town of Arrasate (Mondragon) remained within the confines of the arch-conservative Church's orthodoxy and 'orthopraxy'. So, far from being a threat to the ideas and (labor) policies of the then ruling Franco regime and *the Falange* and being at pains to avoid to explicitly take side of the oppressed working class people of Mondragon, notably those workers who dared to resist or oppose the regime, the emancipatory strength of his commitment to 'a new person in a new order', radically different from the existing (capitalist) order, proved to be very limited, if not completely absent. I argue this lack of emancipatory potential was due to the just mentioned conceptual framework on which his work on the Mondragon co-ops was based. This framework, according to Marie-Dominique Chenu, whose assessment of the Church's social doctrine I follow in this monograph, this doctrinal framework serving as an ideology *maintaining the social and political status quo*, in the Franco as well as in the post-Franco era of the Mondragon cooperative experience.

## **2.7 Franco's 'Fuero del Trabajo' and the genesis and consolidation of the Mondragon co-ops**

To theorize the uneasy original ideological foundations of the Mondragon cooperative experience we have to thoroughly scrutinize the combined 'theory' (ideas) and practices, or, the *praxis*, foundational to the Mondragon co-ops as we know them today. As a matter of fact, the labor regulations (or, better, the regulations regarding the capital-labor relations), at work during the genesis and consolidation of the Mondragon co-ops, coded in Franco's '*Fuero del Trabajo*' were evidently inspired and drawing on Mussolini's fascist example: the *Carta del Lavoro* (1927). In contrast to mainstream accounts of Mondragon's cooperative experience, conventionally ignoring these commonalities, thereby suggesting these similarities being irrelevant, my periodization brings them to the fore.

My work on the ‘recovery of historical memory’ regarding the Mondragon cooperative experience draws on the critical theoretical, as well as empirical or historical work of a range of scholars.

Notably when focusing on the role of Arizmendiarieta’s *ideologically* underpinned cooperative imaginary and strategy, the work of the German scholar Jan Rehmann greatly facilitates the substantiation of my ‘original sin thesis’. His being a prominent member of the group of scholars, inspired by Wolfgang Fritz Haug, worked during 1976-85 on theorizing ‘ideology’, a research program that came to be known as the “*Projekt Ideologietheorie*”(PIT), and particularly his publishing a short but incisive volume<sup>218</sup> about the role of the Churches (Protestant and Catholic) in the Nazi State, proved to be an invaluable theoretical and historical source. Even more so, combining this work with his volume ‘*Theories of Ideology. The Powers of Alienation and Subjection*’<sup>219</sup> provided robust arguments for the explanation of Mondragon’s cooperative ideology. Rehmann’s ‘PIT’s ideology-critical perspective, understood as a methodical principle for analysis’ (Rehmann 2014: 243) could be summarized in the following hypothesis: “in an association in which the free development of each is the condition for the free development of all’, and in which the ‘associated producers govern the human metabolism with nature in a rational way, bringing it under their collective control instead of being dominated by it as a blind power’, ideology in the sense of a ‘voluntary’ subjection to class-, state-, and patriarchal domination loses its functional necessity. *If in a developed classless society, the ‘enslaving subordination of the individual to the division of labor, and therefore also the antithesis of mental and physical labor has vanished’, there is no longer any need for an ‘illusory community that hover above actual social life.* This is not to be confused with the assumption that *all* illusions and projections would be replaced by complete transparency, which is in my estimation no more than a rationalist illusion rendered obsolete by Freud’s discovery of the unconscious. *A critical ideology-theory deals with systemic illusions supporting relations of domination rather than with the epistemological question of ‘truth’ and error in general.* Since the ideological powers and apparatuses emerged together with antagonistic classes and alongside the social divisions of manual and intellectual labor, they can in principle be liberated from their alienated position, reclaimed, and reintegrated into the ‘horizontal’ structures of a democratic-socialist society.” (emphasis added, Rehmann 2014: 243).

This scholar emphasizes that in his critical concept of ideology (basically drawing on the resumption of Marx and Engels’s *critical* concept) the concept of ‘domination’ is not to be confused with the concept of ‘power’. (Which is, as Max Weber put it,

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218 Rehmann, J., 1986. *Die Kirchen im NS-Staat. Untersuchung zur Interaktion ideologischer Mächte*. Berlin: Argument-Sonderband AS 160.

219 Rehmann, J., 2014. *Theories of Ideology. The Powers of Alienation and Subjection*. Chicago: Haymarket Books. (paperback).

'sociologically amorphous'). Rehmann writes: 'Tied to the complex of capacities, *power* might express both reciprocal relationships and unequal ones (such as in a pedagogical constellation), both competences monopolized by elites or a cooperative capacity to act from below in the sense of Spinoza's *potentia agendi*. Whereas power is in principle open to democratization, the concept of *domination* (German: *Herrschaft*) is formed around the ancient figure of the *dominus* (master), in German *der Herr*, which embodies the intersection of patriarchal and class-rule. It cannot therefore be conceived without its constitutive meanings of hierarchy and verticality. Whereas *power* is to be found on opposite sides of the class- and gender-divides, *domination* is 'an institutionalized, structurally anchored asymmetric power relation of superiority and subordination.' (Rehmann 2014: 242).

## 2.8 The ideological and its fascist modifications

For the purpose of this monograph on the Mondragon cooperative experience, the historical concretization of PIT's ideology-theory, first, in the two-volume study on *Fascism and Ideology*<sup>220</sup>, second, in the just mentioned volume of Jan Rehmann on the role of the Churches in the Nazi State, seems useful to theoretically and historically elucidate the admittedly uneasy commonalities between the imaginaries of, on the one hand, the Mussolini fascists, Hitler Nazis, and Francoist minded Falangists, and, on the other hand, the Personalist grounded Arizmendian Mondragon cooperative ideology. When we complement this scholarly work, originated in the PIT-research, with the work of several German authors, like for instance Josef Pieper, Guido Fischer or August Marx, all regarded as noted, influential social theorists in mainstream Germany, we get a fair knowledge of the mechanisms at work explaining these commonalities, specifically between Nazi Germany and Francoist Spain. Not least because of the considerable academic influence German scholars had at the time in Spain in the field of economics.<sup>221</sup> While scrutinizing the imaginaries regarding the social order, the meaning of work, or the class struggle, ranging from the 1920s – 1930s in fascist Italy, Nazi Germany, or reactionary Catholic corporatist, Falangist (later morphing into Francoist) Spain, we can identify not only substantial commonalities – apart from national particularities –<sup>222</sup> between these 'brothers of the same spiritual mother' (De Arrese, 1959: 33), but also close ideological affinities between these '-isms' and a Personalist interpretation of the Catholic social doctrine, advocated by figures like Jacques Maritain and Emmanuel Mounier. Precisely this

220 First published in 1980, followed by a second edition in 2007)

221 See Santiago García Echevarría and María Teresa del Val, 'Der Einfluss der Deutschen Betriebswirtschaftslehre in Spanien', in: *Ideengeschichte der BWL*, ed. by Wenzel Matiaske and Wolfgang Weber, 2018. Wiesbaden: Springer Gabler

222 Like José Luis De Arrese pointed at in his "La Revolución Social del Nacional- Sindicalismo" (1959): 'el fascismo, el nacionalsocialismo y el nacionalsindicalismo son hijos de una misma madre: del spiritualismo; por tanto, hermanos, y hermanos gemelos si le quiere, no siameses.' (p. 33). So, they are twin brothers, but no siamese.

Personalist imaginary being *the theoretical foundation* of Arizmendiarieta's cooperative 'business model' (Azurmendi 1984: 23) demonstrates the relevance of scrutinizing these commonalities. Moreover, notably in the German context, we detect an astonishing continuity in the particularly Nazi-friendly scholarly work of distinguished (Catholic) academics like Josef Pieper or Guido Fischer, and their work as influential professors in post-WW II (West) Germany. For instance, Fischer lectured from 1946 till 1968 '*Betriebswirtschaftslehre*' (microeconomics or business administration) in the University of Munich. He also directed there 'the research group for corporate social practice'. Fischer's personal ideas on economics heavily drew on the Catholic social doctrine. Like Arizmendiarieta, he sought a 'third way' between capitalism and communism, particularly at the corporate level. He did not want to change the capitalist system, on the contrary, capitalism '*sei Gottgewollt*'. (Nienhüser<sup>223</sup>2018: 457). He merely dismissed one form of capitalism, he called 'Mammonism', a materialist devaluation of the 'Gottgewollte' capitalism. In Fischer's thought the corporation is the center of labor relations. Key is the subordination of the individual to the supra-personal whole of the corporation, being 'the corporate community' ('*die Betriebsgemeinschaft*'). This Catholic scholar grounded this conception in theology. God's will has to be realized in the corporations as well. With hindsight on the experiences in the Nazi era (*die 'Arbeitsgemeinschaft'* according to the Nazi labor law of 1934), one would have expected Fischer to have abandoned, or at least fundamentally revised this fascist inspired conception in the second edition (1948) of his first in 1929 published book '*Mensch und Arbeit im Betrieb*'. This proved not be the case. In the 1948 edition he presented the same line of thinking as before WW II. Fischer was not an exception in Germany. A similar, rather 'easy' continuity in the pre-, as well the after-war approach in the work of academics like Fischer can be identified in publications of, for instance, Professor Josef Pieper. Despite the disputable, to say the least, conceptions of these scholars, closely related to the Nazi-ideas on topics like the labor or corporate community ('*Betriebsgemeinschaft*' and '*Arbeitsgemeinschaft*'), they encountered no problems at all in continuing their academic work after WW II.

### *Commonalities between Quadragesimo Anno and the Nazi labor laws.*

In 1934, the German sociologist and philosophical anthropologist Josef Pieper (1904-1997) authored an extended version, "*Das Arbeitsrecht des Neuen Reiches und die Enzyklika Quadragesimo anno*" of two writings on the Encyclical Letter Quadragesimo Anno, originally published in 1933. The first of these original writings titled "*Quadragesimo anno: Die Neuordnung der menschlichen Gesellschaft*", the second "*Thesen zur Gesellschaftspolitik*". For the purpose of this monograph, suffices to point at the main conclusions of Pieper's comparative investigation of the labor regulations of the 'new Empire' ('*das neue Reich*') and the 1931 published Encyclical Letter *Quadragesimo Anno*.

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223 Nienhüser, W., 2018. *Bilder der Austauschbeziehung zwischen Kapital und Arbeit. In: Ideengeschichte der BWL*, ed. by Wenzel Matiaske & Wolfgang Weber. Wiesbaden: Springer Gabler.

In his brief text, the author focuses on the 'ethical basic principles' rather than on the juridical aspects of the 'Gesetz zur Ordnung der nationalen Arbeit' (20 January 1934), in order to compare these principles with the basic principles of the 1931 Encyclical Letter. Professor Pieper emphasizes the explicitly 'political meaning', beyond the academic-theoretical objectives, of his comparative investigation. Pieper writes:

*“Die sehr weitreichenden, in einzelnen Punkten erstaunlichen Übereinstimmungen zwischen dem Richtbild der Enzyklika und den sozialpolitischen Zielen und Verwirklichungen des nationalsozialistischen Staates sollen deswegen so nachdrücklich verdeutlicht werden, damit den katholischen Christen ausserhalb der NSDAP die Brücke sichtbar werde, die das Gedankengut der christlichen Soziallehre verbindet mit der nationalsozialistischen Sozialpolitik, dem Kernstück der Innenpolitik des dritten Reiches.”* (Pieper 2004: 336).

Indeed, this German scholar identified a 'far reaching and astounding similarity between the key tenets of on the one hand the Nazi labor law 'das Gesetz zur Ordnung der nationalen Arbeit' (1934), and, on the other hand, the Papal Encyclical Letter 'Quadragesimo Anno'(1931). Both texts clearly were based on two, closely linked, premises, that is, first, the 'deproletarizing of the proletariat', in German: 'die Entproletarisierung des Proletariats', second, the encapsulating ('die Eingliederung') of the working class in the popular community ('die Volksgemeinschaft'). According to Pieper, the key element of the Nazi social politics is to overcome class struggle. In stark contrast to Marxist class struggle, the Nazi policy acknowledges 'the spirit of the popular community' ('der Geist der Volksgemeinschaft'). Precisely this basic idea regarding the class struggle and the popular community underpins the Encyclical Letter *Quadragesimo Anno*. Already some years earlier, nuntius Eugenio Pacelli (later becoming Pope Pius XII) formulated this basic thought, urging the State and the best forces of the people to proceed from antagonism between classes to 'einträchtigen Zusammenarbeit der Stände vorzudringen', (Pacelli spoke German), that is, to 'harmonious cooperation'. According to Pieper: 'Wer dem Katholizismus und dem Nationalsozialismus mit unbefangenen Gerechtigkeitswillen gegenübersteht, muss anerkennen, dass hier nicht irgendwelche äusserlichen Ähnlichkeiten unsachlich aufgebauscht werden, sondern dass diese Übereinstimmung der Grundgedanken wirklich bis in den Kern der christlichen Gesellschaftsethik und bis in die gemeinsame Brunnenstube aller sozialpolitischen Antriebe des nationalsozialistischen Staates hinabreicht.' (Pieper 2004: 339). So, this scholar concludes the commonalities between the two compared texts can be traced back clearly to the core of the Christian social ethics and the shared, deepest sources of the Nazi State's social policies. The commonalities thereby reaching far beyond superficial similarities.

The author contends one could describe the three disputed positions (die drei 'Kampfstellungen') as follows: "Marxism strives for the deproletarizing of the proletariat at the cost of tearing to pieces of the popular community, even to the definitive destruction

of the 'natural popular order' (die 'natürliche Volksordnung'), the 'social reactionaries' (die 'Sozialreaktion') strives for abandoning the class antagonisms without 'deproletarizing the proletariat'. The national-socialist (Nazi) State and the Encyclical Letter *Quadragesimo Anno* strive for the annihilation of the class antagonism and the reconstruction of the popular order via the deproletarizing of the proletariat." (Pieper 2004: 340-1). All these three positions are committed to one particular social situation. This social situation being characterized by 'the fact of the disturbed popular order', or more clearly put by 'the alarming fact of the proletarianization of the masses'.

The commonwealth is, so Pieper, the foundation of the unity of the popular order. The Nazi social policies and the Encyclical Letter together build a *common* front against both unrealistic and hopeless utopias, being Marxism and 'the social reaction'.

The German scholar Chup Friemert<sup>224</sup> points at the '*Feudalisierungprozess*' incorporated in the Nazi Labor Law, to organize the 'annihilation of the class struggle'. In this feudalizing process the Nazis referred to medieval, feudal regulations regarding '*personenverbindenden Treueverhältnisse*', tracing back to old German juridical thoughts instead of Roman Law inspired rules. (Friemert 2007: 257).

### ***Commonalities between Mussolini's 'Labor Charter' and Franco's 'Fuero del Trabajo' or: Corporatism and Mondragon's foundational cooperative ideology.***

To understand the present problems facing the Mondragon coops, we must reconstruct its genealogy, or, put otherwise, we must '*recover our historical memory*' of this cooperative experience. I argue that this experience must be conceptualized as inextricably bound up with corporatism, meant as both an ideological discourse and a set of concrete policies in Spain, during the coming into being and consolidation of the Mondragon coops 'Arizmendian-style'. As acknowledged by numerous experts on Spanish history, *fascist corporatism* played a 'politically decisive role'<sup>225</sup> in Franco's Spain after his victory in the Civil War. In my view, ignoring this decisive role in investigating Mondragon's history does not make sense. Focusing on the transnational spread of notably Mussolini's fascist corporatist ideas and practices into Franco's Spain could facilitate an explanation of key original flaws in Mondragon's cooperative ideology.

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224 Friemert, C., 2007. *Faschismus und Ideologie. Projekt Ideologietheorie. Neu herausgegeben in einem Band der Argument Sonderbände 60 und 62.* Hamburg: Argument Verlag.

225 Matteo Pasetti citing Jan-Werner Müller (*Contesting Democracy: Political Ideas in Twentieth-Century Europe*, 2011) in: *The Fascist Labor Charter* (in: Pinto, *Corporatism and Fascism*, 2017, p. 61).

'On the one hand, corporatism seemed the best way to change the system of labor relations. By establishing institutional bodies capable of resolving disputes between workers and employers, it was able to promote *a kind of self-governance of the production system to regulate labor relations and eliminate social conflict (emphasis mine)*. The aim was to develop collaboration between all the components of the productive system, bring an end to class struggle and build a harmonious society. On the other hand, corporatism seemed the best tool to provide political representation of economic interests. By replacing the classic parliamentary system of the liberal state, which was based on a form of popular representation of an ideological or territorial type, with a system founded on direct representation of social groups, it could give voice to economic interests in the political institutions, to manage both economic policy and the economy itself, and thus protect it from the anarchy of the free market.' (Pasetti 2017: 63). According to this scholar, *of all the ideological ingredients of an extremist movement like fascism (its radical stance concerning the use of violence, the negation of pluralism, the cult of the leader, the exaltation of the nation and the revision of the international order) corporatism was the one that could most easily be extrapolated and shared*. Pasetti continues this narrative by presenting an example, particularly interesting in the context of father Arizmendiarieta's 'laborist' social thinking (according to Joxe Azurmendi emerging in the second half of the 1940s), that is, the example of British first Labor Prime Minister, James Ramsey MacDonald. This prominent Labor politician, regularly referred to by don José María, exchanged ideas with the Italian fascist Camillo Pellizzi on the new-born Mussolini government and its corporatist plan.' The Labor leader acknowledged that perhaps it was 'wrong' to consider fascism as the 'kind of counter-revolution' it was portrayed in the British press. He asked Pellizzi for a written text with a clarification and an explanation of the foundations of the fascist corporatist doctrine and its links with socialism. Pellizzi agreed to this proposal and his article was published a few months later in the monthly review of the Labor Party.<sup>226</sup> In short, the keyword 'corporatism' was able to connect Fascism even with political circles as far afield as the British Labour Party.' (Pasetti 2017: 64). Regarding the appeal of corporatism, but now conceived of in its non-fascist form and meaning<sup>227</sup>, we can conclude that it was by no means only MacDonald who felt to a certain extent attracted to 'corporatism'. Bob Jessop once paraphrased Lenin in writing that 'corporatism is the highest stage of social democracy'<sup>228</sup>. Notably this multi-faceted concept of 'corporatism' offers a fruitful analytical device to unravel a foundational and problematic as well 'moment' of Mondragon's cooperative ideology. As will be elucidated more in detail in the historical Part Two, a striking similarity can be identified between the evolutionary process in Spain's 20<sup>th</sup> century history from 'state corporatism' to 'societal

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226 Pellizzi, C., 'Fascismo and socialism', *The Socialist Review*, June 1923.

227 Otto Holman uses the term 'societal corporatism' in his PhD thesis '*Integrating Southern Europe. EC Expansion and the Transnationalization of Spain.*', Amsterdam, 1996.

228 Jessop, B., 1979. 'Corporatism, Parliamentarism and Social Democracy', in: *Trends Toward Corporatist Intermediation*, eds. Ph. Schmitter and G. Lehmbruch.

corporatism', that is, from the Franco era to the first years of the PSOE guided 'project Europe', and to Arizmendiarieta's changing social political view, from a reactionary, partly fascist inspired state corporatism, to a reformist (or, gradualist, in the words of Ernest Mandel<sup>229</sup>), social democratic, societal corporatism.

Mondragon's cooperative 'experiment' started in Arrasate, The Basque Country of Spain, in the 1940s-1950s, in the political context of a dictatorially ruled country. For this monograph on the Mondragon cooperative experience, the regulations regarding the labor-capital relations, coded in the '*Fuero del Trabajo*' played a decisive political economic role. That means, these regulations marked the domain of (im)possibilities regarding, for instance, the organization or, if you want, the institutionalization of labor organizations like cooperations. So, to build legally-institutionally his first cooperative, father Arizmendiarieta sought and actually would find a way, fitting in the context of the '*Fuero del Trabajo*'. He found the support and guidance 'of a knowledgeable and influential figure' (Whyte and Whyte,<sup>230</sup> 1991: 46), referring to José Luis del Arco, an official working at the government agency 'Obra de Cooperación' in Madrid. This legal approval of the *Ulgor* statutes exposes two remarkable things. First, the pragmatic skills of father Arizmendiarieta in building a network of high-ranked officials who could be of a great help to support his cooperative plans. Second, the ideological affiliations between Arizmendiarieta's cooperative ideas and the '*Fuero del Trabajo*' of the Franco regime. As I contend throughout this monograph, these affiliations can be explained by scrutinizing the ideological linchpin, being 'corporatism', connecting Arizmendi's conceptual framework, the Franco regime's labor regulations (largely fascist inspired), and the Catholic Church's social doctrine. Put in simple terms: had not fitted Mondragon's cooperative ideology in the Spanish State and Church's 'social doctrines' the Mondragon coops would not have come into being.

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229 Mandel, E., 1992. *Power and Money. A Marxist Theory of Bureaucracy*. London and New York: Verso.

230 William Foote Whyte & Kathleen King Whyte, 1991. *Making Mondragon. The Growth and Dynamics of The Worker Cooperative Complex. Second Edition Revised*. Ithaca and London: Cornell University Press.

*The philosophical-theoretical affinities between the Nazi labor law, Quadragesimo Anno and the Personalist-Christian social thinking of Jacques Maritain.*

*A pre-capitalist critique of capitalism<sup>231</sup>: anti-chrematism.*

The Dutch scholar Kees van der Pijl<sup>232</sup>, addressing 'the Pre-Capitalist Critique', points at the 'anti-chrematism' related to the 'essentially pre-capitalist critique of money capital passing into the twentieth century remained a potential ideological force to which latter-day productive capital could appeal and from which it could draw additional strength in forging class coalitions of anti-liberal inspiration. Fascism, and in some respects, Gaullism and Christian Democracy as well, for all their differences drew on this source and to the extent they did, deserve their qualification as reactionary.'<sup>233</sup> (Van der Pijl 1984: 15). According to this author, in Roman Catholic countries and regions (like Spain), as well as of Lutheran predominance, a critique of money capital from the standpoint of the rural economy and tinged with parochialism and anti-Semitism became part of the secular culture.' In regard to this pre-capitalist critique of capitalism, there is a striking similarity in adopting this form of critique between the worldview of the Nazis, of *Quadragesimo Anno* and the vision of Jacques Maritain as outlined in his '*Humanisme Intégral*'.

Pieper's description of main tenets of the Nazi law on 'national labor' reveals identical features we can recognize in Jacques Maritain's '*Humanisme Intégral*'<sup>234</sup>. These features regard key elements like the 'deproletarization' of the proletariat, the (re)integration of the working class in the social order, the meaning of work and the role of class struggle. First, like the Nazis, Maritain presents a 'pre-capitalist critique of money capital' (in the terms used by Kees van der Pijl) by repeatedly referring to what's called in jargon 'anti-chrematism': '*Dans la civilisation actuelle, tout est rapporté à une mesure qui n'est pas humaine, mais extérieure à l'homme: avant tout les lois propres de la production matérielle, de la domination technique sur la nature, et de l'utilisation de toutes les forces du monde pour la fécondité de la monnaie.*' (emphasis added, Maritain 1946: 196). Pieper writes: 'gegen den Waren-Charakter der Arbeit' (addressed in the first sections of the Nazi labor law<sup>235</sup>), pointing at the dismissed 'commercialization' of the labor force, being an effect of the liberal-capitalist avarice ('*eine Wirtschaftsführung, die nichts anders als in Geldeswert zu denken verstand*') (Pieper 2004: 350).

231 See, below, Chenu's critique of the Church's social doctrine, thereby referring to its pre-capitalist critique on capitalism as well.

232 Pijl, K. van der, 1984. *The Making of an Atlantic Ruling Class*. London: Verso.

233 Joxe Azurmendi noted father Arizmendiarieta's reactionary social and political worldview in his first years as priest in Mondragon.

234 Maritain, J., 1946. (First published 1936). *Humanisme Intégral. Problèmes temporels et spirituels d'une nouvelle chrétienté*. Nouvelle Édition, Paris: Fernand Aubier.

235 *Das Gesetz zur Ordnung der nationalen Arbeit* (AOG), 1934.

In section 'From personalism to cooperation' (Azurmendi<sup>236</sup>1984: 769-777), the author addresses two key topics in Arizmendiarieta's Maritainian-Personalist conceptual framework, underpinning his cooperative 'business formula'. First, referring to Maritain's '*Humanisme Intégral*', 'transcending the proletariat: the person', second, 'transcending the (class) struggle: a chain of compromises'. Regarding the former topic, this is what Pieper calls '*die Entproletarisierung des Proletariats*' (the deproletarianization of the proletarians), and regarding the latter, we are talking about 'the social compromise', or abandoning the class struggle, or, in still other words, the (re)construction of 'labor peace' ('*Arbeitsfriede*') and enjoying work ('*Arbeitsfreude*')<sup>237</sup>.

### *The role of Opus Dei, the Spartans of Catholicism.<sup>238</sup>Pioneers of neoliberalism in Spain.*

To correct the overlooking of the important role played by the Catholic lay order called *Opus Dei* in Franco Spain, notably regarding the formulation of a (neo)liberalized economic policy since the cabinet change of 1957, I will pay attention to the political and economic influence of these Catholic, high-ranked members of the Franco regime during the first years of the Mondragon co-ops. Not least because these *Opus Dei* 'technocrats' constitute the ideological 'bridge' between the '*paleo corporatism*'<sup>239</sup> of Franco's first two decades in power, and the short-lived transition period of '*societal corporatism*', quickly morphing into *the neoliberalist era*, still hegemonic in the present. In my view, this research procedure elucidates the determining role of the Spanish State and the Catholic Church as 'ideological powers' in Mondragon's cooperative experience, from its very outset to the present days. Remember, father Arizmendiarieta never openly challenged the obvious oppressing, undemocratic policies of the Francoist State, nor showed any disobedience to the ecclesiastical hierarchy in Spain. His deafening silence regarding the brutal oppression during the Franco regime remains questionable, to say the least. Overall, his work in Mondragon always remained within the confines of that State and Church. Besides the decisive role played by these two ideological powers, the Francoist State and the Catholic Church, during the 'Arizmendian era' of the Mondragon cooperative experience, we have

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236 Azurmendi, J. 1984. *El Hombre Cooperativo. Pensamientos de Arizmendiarieta*. Lankide Aurrezkoa: Caja Laboral Popular.

237 Krell, G., 1994. *Vergemeinschaftende Personalpolitik. Normative Personallehren, Werkgemein schaft, NS-Betriebsgemeinschaft, Betriebliche Partnerschaft, Japan, Unternehmenskultur*. München und Mering: Rainer Hampp Verlag.

238 Van Wesel, A., 1992. *Catholics and Politics in Western Europe*. In: *Christianity and Hegemony, Religion and Politics on the Frontiers of Social Change*, ed. by Jan P. Nederveen Pieterse. New York, Oxford: Berg.

239 Pérez Díaz described the first two decades of Franquism as '*paleo-corporatism*', cited by Otto Holman in his '*Integrating Southern Europe. EC Expansion and the Transnationalization of Spain* (1996, p. 54).

to address the important contribution of Engels' 'second ideological power,<sup>240</sup> 'the law', or put otherwise, the juridical superstructure at that time to the coming into existence in the first place and subsequently the building of the juridical-organizational architecture of the Mondragon-style cooperatives. As extensively described in mainstream accounts of Mondragon's genealogy<sup>241</sup>, Arizmendiarieta's close collaboration with his long-standing friend and advisor, Del Arco Álvarez, greatly facilitated the juridical embedding of the Mondragon coops in Franco's corporatist political and economic order. While largely taken for granted in the mainstream body of literature, this ideological compatibility will be contextualized and problematized in this monograph. I will show that this compatibility happened by no means accidentally. It can be harked back to the ideological commonalities of Franco's '*Fuero del Trabajo*' and Arizmendiarieta's conceptual framework of a Personalist interpretation of the Church's social doctrine. I will pay attention to the ideological interlinkages between Maritain's Personalist vision on human rights as well as on the Church's social doctrine, both facilitating my explanatory ideology critique on Mondragon's cooperative imaginary and strategy. The work of critical scholars like Jessica Whyte,<sup>242</sup> Radha d'Souza<sup>243</sup> and Grietje Baars<sup>244</sup> on 'the law' as ideological power in the sense of Friedrich Engels, thereby focusing on the ideological ideas on human rights of people like Maritain (Jessica Whyte), or the law in relation to social movements (Radha D'Souza), or the law's ideological function in capitalist corporations (Grietje Baars), will be adopted to underpin my critique of Mondragon's flawed emancipatory and transforming capacities, resulting from its ideological embedding in basically undemocratic and non-solidary social systems.

The work of the before mentioned scholars, combined and complemented by the historical research of prominent historians like Paul Preston regarding the Spanish Civil War and its aftermath, notably making use of his brilliant, well documented biography of General Franco, next to archival sources retrieved from the *Arizmendiarieta Archive* (assessed via Mondragon University) and material from the International Institute for Social History in Amsterdam, notably '*The Spanish Resistance Collection*' prepared

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- 240 Rehmann, 2014. *Theories of Ideology*, section 'Engels' concept of ideological powers', p. 59.
- 241 Ranging from works like Whyte & Whyte's '*Making Mondragon*' (1988) to Ortega Sunsendegui's PhD thesis '*La contribución de los fundadores del cooperativismo de Mondragón al pensamiento cooperativo*' (2021).
- 242 Whyte, J., 2019. *The Morals of the Market. Human Rights and the Rise of Neoliberalism*. London, New York: Verso.
- 243 D'Souza, R., 2018. *What's Wrong with Rights? Social Movements, Law and Liberal Imaginations*. London: Pluto Press.
- 244 Baars, G., 2019. *The Corporation, Law and Capitalism. A Radical Perspective on the Role of Law in the Global Political Economy*. Leiden/Boston: Brill Nijhoff.

the ground for *the theoretically informed periodization* of the ‘Arizmendiarieta era’ of Mondragon’s history in the historical perspective of Part Two.

***Rethinking capitalism from a macro cultural psychological perspective to achieve real social change and human fulfillment.***

In my view a macro-cultural psychological way of conceptualizing ‘democracy’ can fruitfully be connected with the ideas of the American researcher Sharryn Kasmir explicated in her article ‘*Cooperative democracy or cooperative competitiveness: Rethinking Mondragon*’ published in the 2018 Socialist Register, titled *Rethinking Democracy*.<sup>245</sup> Drawing on her own ethnographic research on the Mondragon cooperatives<sup>246</sup> she concludes ‘*that the abstract (Mondragon, HW) model of coops as transformative will not hold. Mondragon does not conform to a socialist imaginary of a diverse collective of workers in action, building organizations, creating alliances with other politically engaged groups. ‘Lauding practices because they are diverse and purportedly outside of capitalism without closely examining their history and impact in actual communities is to succumb to a post-structuralist incarnation of neoliberal market ideology, where plurality stands against a coherent theory of social transformation.*’ (Kasmir 2018: 220).

In this monography on the Mondragon experience, I claim to provide such a ‘coherent theory of social transformation’, a theoretical perspective mainly but not exclusively built on Ratner’s Marxian-Vygotskyan macro cultural psychologist approach to the Mondragon ‘cooperativism’.

Just like Sharryn Kasmir, Carl Ratner argues that the abstract (cooperative) Mondragon model as transformative does not hold. Differently phrased, he claims that the alleged ‘Copernican revolution’ and ‘radically different’ business formula of father Arizmendiarieta were never realized because of their inherent, original and fundamental flaws. One of the key shortcomings of Mondragon’s founder and inspirer was his failure to analyze the existing ‘social order’, that is, the capitalist system, as a base to build upon his ‘radical’ alternative order. He persistently evaded and circumvented, theoretically as well as practically, anything that could have political consequences (cf. Joxe Azurmendi), never openly challenged the existing (Francoist) social, political, and economic ‘order’, always remaining confined to the established religious worldview of the Catholic Church in Francoist Spain. As will be shown in the historical part of this monograph, this lack of critical scrutiny of the existing social and economic order coupled with basically following

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245 Kasmir, S., *Cooperative democracy, or cooperative competitiveness: Rethinking Mondragon*. In: *Socialist Register 2018*, edited by Leo Panitch and Greg Albo, published by the Merlin Press, Monthly Review Press and Fernwood Publishing.

246 Kasmir, S., 1996. *The Myth of Mondragón. Cooperatives, Politics, and Working-Class Life in a Basque Town*. Albany: State University of New York Press.

the social doctrine of the Catholic Church constitute impediments to ever reach his self-acclaimed, high-flown ideals of a 'new person' in a 'new order, radically different from the capitalist order'. His belonging to the 'meek' and rejecting the position of the 'militant' (Catholics), for instance represented by the Social Secretariat of the Vitoria diocese (1974) or the Basque priests who wrote a radical and critical manifesto (1968), demanding fundamental changes in the Franco regime and in the ecclesiastical policies, clearly indicate the limited transformative 'capacity' of his cooperative 'movement'. Father Arizmendiarieta never elaborated on a political economic cooperative program, based upon a thorough analysis of the numerous, serious social, economic, political, and cultural problems at the time of his working life in the parish of Arrasate (Mondragon). Moreover, next to his (guilty?) silence about the atrocities of the Francoist political system, he never addressed Basque Spain's painful, then recent, history of the Civil War and its consequences or reverberations during the rest of his life. These core elements in Mondragon's founder's thoughts and practices starkly contrast to Ratner's conception of cooperativism, which will be adopted to my critical assessment of the Mondragon cooperative experience.

**Rethinking the role of Arizmendiarieta's ideas on cooperativism. Theorizing and historicizing Joxe Azurmendi's 'systematic' study on Arizmendiarieta's thoughts.**

My theorizing work takes as entry point the seminal work of Joxe Azurmendi on the 'thoughts of Arizmendiarieta'<sup>247</sup>. This Basque writer and scholar produced the first 'systematic' study of Mondragon's founding father's conceptual framework, viewed as the premise and principal theoretical support to his 'formula of business'. Azurmendi's key finding was that you cannot understand Mondragon's model of (cooperative) firms or corporations without its 'Personalist'<sup>248</sup> philosophical-theoretical premise.

In contrast to Azurmendi's a-historic (his own words) and undertheorized approach, my historical materialist, dialectical approach takes a different philosophical-theoretical point of departure. Regarding the role of ideas in political explanation of social life this monograph follows three central claims<sup>249</sup>:

1. Ideas should be accorded a crucial role in political explanation, since actors behave the way they do because they hold certain views about the social and political environment they inhabit. Moreover, those ideas cannot simply be derived from the context itself.

247 Azurmendi, J., 1984. *El Hombre Cooperativo. Pensamiento de Arizmendiarieta. Caja Laboral Popular, Lan Kide Aurrezkoa.*

248 *The decisive role of Arizmendiarieta's Personalist inspired vision for this cooperative 'business formula' will be elucidated and explained in Part Two. The Personalist catholic social doctrine of the Vatican being the mediating factor.*

249 *Following Colin Hay in his 'Political Analysis. A Critical Introduction'. (2002, p. 213).*

2. We cannot assume that political actors are blessed with perfect information of their context. They have to make assumptions about their environment and about the future consequences of their actions and those of others if they are to act strategically. The ideas they hold about their environment are, then, crucial to the way they act and hence to political outcomes.
3. The distinction between the realm of ideas (the ideational) and the material should not be seen simply as that between the realm of the superficial or non-real (the ideational) and that of the real (the material). Ideas and beliefs are both real and have real effects.<sup>250</sup>

To theorize and historicize Azurmendi's 'systematic' work, I now turn to the first extension and refinement of Ratner's theoretical framework. This extension focuses on the theorizing of 'the corporation'<sup>251</sup> (in this case the cooperative corporation Mondragon-style) in a dialectical, multi-level analytical framework.

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250 See for a closely affiliated approach Andreas Bieler and Adam David Morton's "Global Capitalism, Global War, Global Crisis." (2018, section 'The Material Structure of Ideology', pp. 67-75).

251 Azurmendi's volume has two Parts, the first Book (*Libro Primero*) is called 'La Persona', the second Book, *Libro Segundo* : 'La Empresa'







**Rethinking Mondragon's 'concept  
of business': theorizing the  
corporation in capitalist societies**



In Ratner's macro cultural psychological perspective the 'corporation' is viewed as a 'broad, macro cultural factor – such as *social institutions* (e.g., government, army, church, health care, media, and *corporations*)...' (my emphasis), that [f]orm the origin, locus, characteristics, operating mechanism, and function (*raison d'être*) of psychological phenomena."<sup>252</sup> The theoretical perspective of this monograph on the Mondragon experience takes this conceptualization as starting point.

### *Taking Arizmendiarieta's ideas on co-operative corporations as entry point.*

The Basque scholar Joxe Azurmendi, author of the classic work<sup>253</sup> on the thoughts of 'the *Cooperative Man*'<sup>254</sup> (Arizmendiarieta, founding father of 'Mondragon') not accidentally divided his monumental volume in two Parts (Books): Book One, *the Person*, Book Two, *The Corporation* (La Empresa).

The author writes: 'Before he was a cooperativist, Arizmendiarieta was a Personalist; before he had formulas for business, he had a philosophy of the person- not only in a logical, successive, foundational order, but even in a temporal sense, in his life. *His concept of business, for which he has gained fame, is no more than the consequence of that philosophy* (my emphasis), and without it, is reduced to a mere business formula, lacking its principal theoretical support. That is why our writing will clearly distinguish the first book, concerning the person, from a second book concerning business. We would define the relationship between the parts as the relationship between their premises and their necessary implications.'<sup>255</sup>

Following this key finding of Azurmendi's 'systematic' study of Arizmendiarieta's conceptual framework regarding his Personalist outlook as the premise of his 'concept of business', that is, his philosophy of cooperative corporations, while at the same time presenting an ideology-critical perspective on the 'Mondragon experience' requires analytical toolkits enabling to historically and theoretically contextualize Azurmendi's conclusion.

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252 Ratner, C., 2012, *Macro Cultural Psychology, A Political Philosophy of Mind*, Oxford: Oxford University Press, p. 9.

253 According to Larraitz Altuna Gabilondo, coordinator of "La experiencia cooperativa de MONDRAGON. Una síntesis general, 2008, Eskoriatza: Mondragon Unibertsitatea, Lanki-Huhezi, page 33, Azurmendi was the intellectual 'qua más profundamente ha desentrañado el pensamiento comunitarista y autogestionario de Arizmendiarieta y rescatamos de forma íntegra un texto suyo de considerable riqueza analítica y expositiva.'

254 Azurmendi, Joxe, 1984, *El Hombre Cooperativo, Pensamiento de Arizmendiarieta*, Aurrezkia: Caja Laboral Popular, Lan Kide Aurrezkia.

255 Azurmendi, J., 1984. *El Hombre Cooperativo. Pensamientos de Arizmendiarieta*, p. 23.

Following this conclusion, Arizmendiarieta's 'Personalist' philosophy and his concept of business as realized in the key elements of Mondragon's co-ops can only be separated in analytical sense, not in practical reality.

### 3.1 A dialectical view on labor organizations: a multilevel approach

In order to address this dialectical relationship, I have made use of the dialectical theory of modern labor organizations, developed by the German researcher Ronald Hartz. In his book "*Dieses Anderssein aufzuheben...Grundlagen einer dialektischen Theorie der modernen Arbeitsorganisation*"<sup>256</sup> he presents a multi-level analytical framework, that will be used in this monograph as 'a heuristic device' to grasp the complexities of the particular form of the Mondragon 'coopitalist' (Errasti) co-operative corporations. In other words, this theoretical approach will be put at work to dissect the complex relations between the different dimensions of the Mondragon corporations. That is, in terms of Hartz's framework, between the corporations and 'society' (in dialectical terms '*die Totalität der gesellschaftlichen Praxis*'), or, the relations between the meso-level (the corporation viewed as organization of 'the sphere of production') and the macro-level (the level of 'society'), and between the corporation(s) and the micro-level, that is, the level of 'the subject'. This dialectical theory draws mainly (but not exclusively) on the work of the German economic sociologist professor Klaus Türk in the field of organization theory. Notably his 'critique of the political economy of organization'<sup>257</sup> inspired Ronald Hartz to develop his 'heuristic device'.

This 'heuristic device' will not only be used as a first theoretical extension and refinement of Ratner's general macro cultural psychological approach, but also as an additional analytical toolkit to be used for the 'periodization' in the historical Part Two of this monograph.

Hartz's dialectical theory of corporations (labor organizations) not only fits well in my overarching (meta)theoretical framework, it also offers a fruitful analytical toolkit to tackle the complexities of my research object, focusing on a key element of 'the Mondragon experience, namely its founder's 'cultural concepts' of a (cooperative) corporation. In other words, to understand Mondragon's 'concept of business' Hartz's critical theoretical framework will be applied. Let me explain the efficacy and analytical usefulness of Hartz's dialectical theory for this monograph.

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256 Hartz, R., 2009. "*Dieses Anderssein aufzuheben...*"- *Grundlagen einer dialektischen Theorie der modernen Arbeitsorganisation*. Münster: Westfälisches Dampfboot.

257 Türk, K., 1995. "*Die Organisation der Welt*" *Herrschaft durch Organisation in der modernen Gesellschaft*. Kapitel 3: *Zur Kritik der politischen Ökonomie der Organisation*, pp. 37-93. Opladen: Westdeutscher Verlag.

Referring to my remarks at the beginning of this Part One, I argue that, in order to be able to explain, to possibly answer the crucial ‘why’ question, in this case the key question “*why did ‘Mondragon’ degenerate (or not)?*” we have to move theoretically and methodologically beyond the mainstream approaches, as represented for example by the widely praised volume<sup>258</sup> of William Foote Whyte and Kathleen King Whyte, titled ‘*Making Mondragon*’<sup>259</sup>. Similar to the meticulous and authoritative work of Joxe Azurmendi on the thoughts of Arizmendiarieta, the ‘landmark’ study of the Whytes offers a detailed *descriptive* account of the Mondragon experience up to then but falls short on a *theoretically informed* historiography with more *explanatory* capacities. In other words, they fail to contextualize that ‘experience’ at different, interrelated, spatio-temporal levels and scales.

I claim that a critical, neo-Gramscian, ‘*philosophy of praxis*’-based approach, offers a more powerful explanatory model because this philosophy involves not only the *historicization* but also the *spatialization* of its analytical categories. These theoretical practices are deeply intertwined in his ‘absolute historicism’.<sup>260</sup>

Focusing on a key institution and concept as well of the Mondragon experience, the cooperative corporation, viewed from an organizational research perspective, in this case embedded in Ratner’s macro cultural psychological paradigm, Hartz’s dialectical approach will be put at work in order to address aspects or dimensions of that key organizational element of Mondragon’s experience that remain largely overlooked or downplayed, if not completely ignored in the vast mainstream body of literature on ‘Mondragon’. The conventional approach to the phenomenon of the ‘Mondragon co-op viewed from an organizational research perspective can be characterized as largely one-dimensional. That is to say, predominantly focused on the meso-level, termed by Ronald Hartz as the level of ‘the organization’, or, in other words, the ‘sphere of production’, thereby losing sight on the relationships between the Mondragon co-operative organizations with the macro-level of ‘society’ (*die Gesellschaft*), as well as between the organizational level and the micro-level of ‘the subject’ (*das Subjekt*). I argue that this shallow, limited, one-dimensional approach, as illustrated by the definition of the British economist

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258 Corey Rosen (*National Center for Employee Ownership*) called it ‘the definitive book on this important phenomenon’, and David Ellerman (*Industrial Cooperative Association*) ‘the milestone book that will guide future Mondragon research’, Donald A. Schon (MIT) ‘a landmark study of leadership and organizational dialectic’.

259 William Foote Whyte and Kathleen King Whyte, 1991(second revised edition, first published 1988). *Making Mondragon, The Growth and Dynamics of the Worker Cooperative Complex*. Ithaca and London: ILR Press An Imprint of Cornell University Press.

260 See Bob Jessop in his ‘State Power’, Ch. 4: Gramsci on the Geography of State Power, p. 101. According to Jessop Gramsci ‘was a deeply spatial thinker but he did not explicitly prioritize spatial thinking.’

Robert Oakeshott of 'Mondragon' as an 'oasis of democracy within General Franco's dictatorship'<sup>261</sup> fails to explain obvious contradictions, inconsistencies and tensions inherently intermingled with the 'Mondragon experience'. To develop a more powerful explanatory approach, the mainstream approach has to be extended and deepened. This theoretical and empirical gap could be filled by applying Hartz's multi-level analytical framework, used as a heuristic device. And as a first step in extending and refining Ratner's macro cultural psychological foundational perspective.

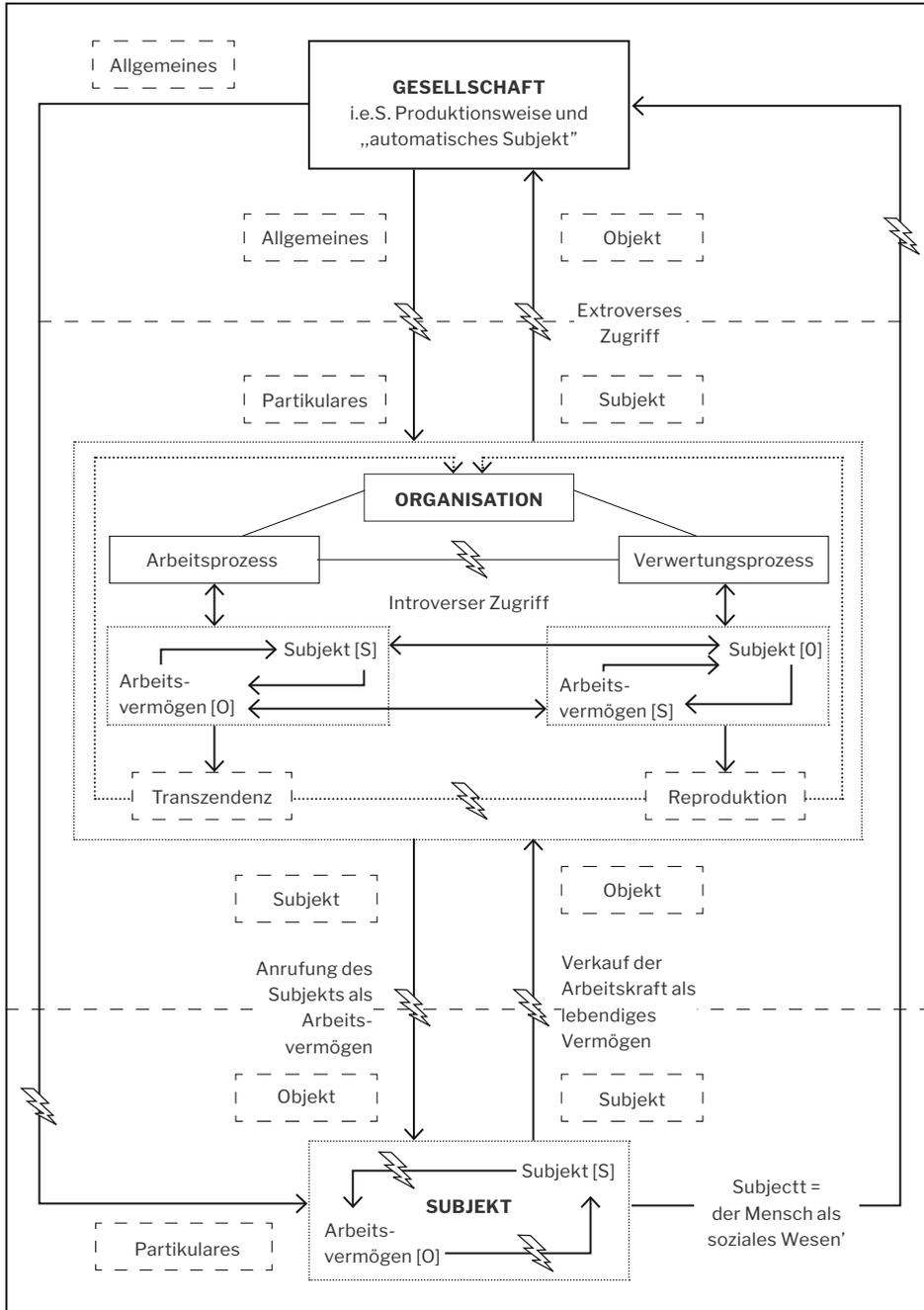
In his study, Ronald Hartz first focuses on the meaning and praxis of human labor in the Western context by reviewing selected cultural historical and theory historical perspectives on this phenomenon, his scope ranging from the Greek philosophy, the Christian tradition (Augustine and Thomas Aquinas) to the Weberian 'Protestant ethic' and the 'spirit of capitalism'. In the second part the author focuses on the works of Hegel and Marx regarding the dialectical relation between labor and its organization. In the third and final part Hartz presents a discussion and critique of selected 'power and political oriented perspectives' developed in organization theory and microeconomics. Addressing political oriented approaches to analyzing power and domination in organizations, the author critically reviews three different approaches notably regarding their immanent limitations for application in Hartz's dialectical framework. First, the conceptualizing of power (in organizations) dominating the 'mainstream' body of literature, second, the so called 'labor process theory' (conventionally linked to its pioneer Harry Braverman) and third, a 'poststructuralist strand' from the labor process theory. After having concluded that these approaches, despite offering valuable insights in organizational processes, display a range of deficits viewed from the perspective in his volume, in the final chapter Hartz presents an outline of his dialectical, integral analytical framework. This framework basically draws on the work of Hegel and Marx, partially on the critical assessment of neo-Marxist approaches known as the LPT (labor process theory), and notably includes compatible interdisciplinary aspects in his dialectical perspective.

### **3.2 A brief outline of Ronald Hartz's dialectical analytical framework**

According to the author, his dialectical framework should be seen as a 'heuristic proposal' which could enable organization research to dialectically grasp modern (labor) organizations in relation to human labor, to show avenues for a social theoretical oriented organization theory and at the same time incorporating the subjective level of members of an organization.

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261 Cited in *The origins of Mondragon: Catholic co-operativism and social movement in a Basque valley (1941-59)*, Fernando Molina and Antonio Miguez, in *Social History*, Vol. 33, No. 3, August 2008, p. 284. The statement of Oakeshott dated back to 1972.



*“Der mehrdimensionale Analyserahmen soll als heuristischer Vorschlag verstanden werden, welcher die Organisationsforschung in die Lage versetzen kann, wesentliche Phänomene der modernen Organisation in ihrem Verhältnis zur menschlichen Arbeit dialektisch zu erfassen, Suchrichtungen für eine gesellschaftstheoretisch interessierte Organisationstheorie aufzuzeigen und zugleich die subjektive Ebene der Organisationsmitglieder mit in den Blick zu bekommen.” (Hartz 2009: 265).*

Three different, interlocked levels of analysis.

To grasp the organizational complexities, without neglecting social aspects as well as the 'subjective praxis', the author distinguishes in his dialectical analytical framework three distinct, but interlocked levels of analysis: the macro-level (also termed 'society'), the meso-level ('organization'), and the micro-level ('subject')<sup>262</sup>. In view of Hartz's dialectical approach it must be emphasized that his identifying (three) levels of analysis regards a purely *analytical* distinction, not to be reified into *ontological* ones. Said otherwise, the levels have no existence in isolation from each other.<sup>263</sup> We cannot understand the 'Mondragon co-operative organization(s)' by merely focusing on the meso-level of 'organization' and ignoring the macro-level of 'society' and the micro-level of the 'subject'.

### 3.2.1 The macro-level ('Society')

This level encompasses in dialectical terms the totality of societal praxis. This totality constitutes the external framework ('den äusseren 'Rahmen') of his dialectical theory of organization. Hartz follows Theodor Adorno's postulate in that any analysis of organization(s) requires a social theory. Such a theory and social praxis do not exist externally to the organization, in the sense of a diffuse 'environment' ('Umwelt') but are rather being dialectically mediated with the organizational praxis. The necessary incorporation of the macro- or societal level in the analysis of the dialectical relation between labor and organization results, thereby following Marx, from the historically differential but always social character of production, which at the same time constitutes individuals as social beings. This approach makes clear that we have to view 'organization(s)' as *historical* categories, definitely not as a-temporal phenomena. The modern (labor) organization can be identified as the result from a complex historical situation producing for instance psychological dispositions, political-juridical constellations, and technological developments, all of them leading to Polanyi's 'Great Transformation'.<sup>264</sup> In this sense, the 'modern' organization is a quite 'young' historical

262 Hartz, R., 2009. "Dieses Anderssein aufzuheben..", Figure 18, page 310.

263 See the striking similarity with Jessop's and Hay's 'purely analytical' distinction between structure and agency in their 'strategic-relational approach', e.g. in Hay's 'Political Analysis. A Critical Introduction.', 2002, p. 127.

264 Polanyi, K., 1978. *The Great Transformation. Politische und ökonomische Ursprünge von Gesellschaften und Wirtschaftssystemen.* Frankfurt/Main: Suhrkamp.

phenomenon, just like the linked 'modern subject' (Foucault) or the 'worker' and 'working class' (E.P. Thompson). According to the author, the dialectical relation between the 'general' (*das Allgemeine*) and the 'particular' (*das Besondere*) within organizations must be viewed as a specific characteristic of the modern society with its organizations. (Hartz 2009: 268-9).

Within the dialectical analysis of labor and organization, employed at the macro level, Hartz distinguishes three starting points which can be identified analytically:

- 1) In structural respect a dialectic of 'the general' (*das Allgemeine*) and 'the particular' (*das Besondere*). Expressed in simple terms, the individual as well as the organizational praxis can be viewed as the 'particular' moment of the 'general' and are interrelated with that moment. The relation between the social general and the individual and organizational can be characterized as contradictory.
- 2) This structural dialectic between the general and the particular must be coupled to the *historical* dimension of this dialectic. The dialectic takes historically specific forms that must be addressed. We can call this a 'historical-structural dialectic'.
- 3) The difference between appearance (*'Erscheinung'*) and essence (*'Wesen'*)<sup>265</sup> must be designated. The phenomena appearing at the social 'macro level' concretely are concentrations of abstract constructs (*'Bestimmungen'*) which can be identified analytically under the surface of their appearance. This contradictory historical-structural dialectic and conflictual mediation between the general and the particular is not limited to the macro level. It can be found on the meso and micro level as well.

### 3.2.2 The meso level (the 'Sphere of Production')

This level of analysis focuses on the construct of 'the labor organization'. This 'sphere of production', following Marx's terminology, views organizations primordial as key locations of human labor and its use. In Hartz's model two distinct perspectives can be identified: the *intra*-organizational and *extra*-organizational, the former regarding the internal relations of the organization, the latter focusing on the influence of the organizations on their social environment, its actors, and institutions.

#### a) The extrovert dimension

At the macro level, organizations are representing the 'particular' related to the social 'general'. At the meso level a reversed relation appears, that is, the organizations influence

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265 David Harvey, in his 'Seventeen Contradictions and the End of Capitalism' (2014), uses the terms 'appearance' and 'reality' (page 6).

their surrounding social environment (in Hartz's words: '*sie umgebende gesellschaftliche Totalität*'). Simply formulated this influence can be effectuated in different forms at the macro level, for instance via lobbying, influencing the educational system regarding professional qualifications or attempting to influence, private behavior related to the 'world of labor' (for instance, stimulating wellness, fitness, self-management and -technology). This dimension also contains activities like trying to influence regulations of 'the markets', for instance EU Directives. Some of these extrovert actions can be summarized as 'externalization of costs'. This kind of extrovert relations clearly demonstrate the entwinement of the political and economic domain. At this point the author brings to the fore the human labor capacity as a necessary, analytically specified dimension of "*extra-organisationalen Herrschaftlichkeit*" (that is, a dimension of labor organizations as power-laden, viewed from the meso level, focused on the extrovert dimension). In Marx's analysis of capital, capital and capital accumulation are rooted in the so called 'double free worker'. The labor capacity, conceived as commodity or human capital only becomes a social meaning if someone buys it. So, a person's qualifications and education don't mean anything if these cannot be sold. This necessity to sell the worker's labor capacity results in multiple claims from the organization on the individual worker. In Althusserian terms a worker is called in as self-accountable bearer of labor capacity. Dialectically in the extrovert relation organization – subject the organization represents the 'general' moment, in the context of economic rationality encountering the subject as the 'particular'. The author points at the important mediating function of the educational system regarding necessary qualifications.<sup>266</sup>

Against the background of the addressed arguments of Hegel, Marx, and Foucault, according to Hartz we can postulate that the maintenance and development of labor capacity always contains aspects of dominance and subjection capacities as well. In capitalist societies this means the capacities of discipline, self-control, acknowledgment of hierarchy and authority, but also the will to leadership and to manage. Ronald Hartz refers to the work of Barbara Townley, who even calls 'the manager a central character of modernity. The manager presents our culture a cultural and moral ideal'.

In a final passage of this paragraph the author points to the extrovert dimension of labor capacity and its valorization at a global scale, thereby referring to the work of Immanuel Wallerstein<sup>267</sup>, who identifies at the global scale of capitalist, that is capital accumulation-

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266     *In his volume 'Macro Cultural Psychology. A political philosophy of mind'(2012), Carl Ratner elucidates 'the political economy of education', pp. 285-94, exemplified by the historical development of the American community colleges from 1920 through 1980.*

267     *Wallerstein, Immanuel, 1986. Das moderne Weltsystem: Die Anfänge kapitalistischer Landwirtschaft un die Entstehung der europäischen Weltwirtschaft im 16. Jahrhundert. Frankfurt/Main: EVA.*

driven production, a 'spatial hierarchy'<sup>268</sup> leading to an ever-growing polarization between central and peripheral zones. In the context of Wallerstein's account Ronald Hartz refers to the industrial labor relations in China, remarkably comparable to the descriptions of Marx in his first volume of 'Das Kapital'.

b) The introvert dimension

According to Marx, the value-creating production process consists of a unity of labor and valorization (of that labor), in other words, a unity of the production of use-value (the process of labor, *Arbeitsprozess*) and the intensive and extensive valorization (*Verwertungsprozess*) of human labor in creating exchange-value (surplus value), overarched by historically contingent and organization-specific forms of control, as conceptualized in the LPT (labor process theory).

***The labor process.***

In Hartz's dialectical framework the double-sided character of labor capacity as commodity has to be further extended than Marx did in his 'Capital'. According to the author Marx neglected the 'intersubjective, cooperative moment' which could have transcended the 'sphere of production'. Notwithstanding scattered passages in 'Capital' suggesting overcoming this reductionist conceptualization of the labor process, the overall impression of Marx's analysis of that process is one of a 'logic of capital' and the formal and real subsumption of the worker to capital. *"Marx selbst entfaltet somit letztlich an diesem Punkt der 'Mesoebene' keine Dialektik von Allgemeinem und Besonderem in struktureller Hinsicht. Für den dialektischen Bezugsrahmen soll aber genau dies in Anschlag gebracht werden.*

*...[D]er Entzug des Produktes und der Besitz der Arbeitsmittel seitens der Organisation trennt die Arbeitenden von den Mitteln der Produktion und deren Ergebnis und verhindert so strukturell eine gelingende Subjekt-Objekt Beziehung. Diese Dialektik des Allgemeinen und Besonderen ist gleichwohl historisch und strukturell widersprüchlich, da die Kontrollbemühungen erstens als unabschliessbar erscheinen und zweitens die "Sphäre der Produktion" auf das kooperative und das aneignende Moment, d.h. auf lebendige Subjektivität, angewiesen ist. Dieses ko-operative und aneignende Moment enthält damit zugleich die Möglichkeit der Transzendenz entfremdeter Arbeit, "in dem die Arbeitssubjekte kooperativ die Kontrolle über ihre eigene Tätigkeit zurück zu gewinnen*

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268 See in the context of the Mondragon 'coopitalist multinationals', the relations between the Basque-Spanish parent companies and their Chinese subsidiaries the work of Anjel Errasti (2015).

*versuchen; aller entfremdeten Arbeit wäre dann ein Moment praktischer Erinnerung daran eigentümlich, dass ihr ungerechtfertigte Herrschaft innewohnt.*"<sup>269</sup>

Hartz's dialectical conception of the labor process incorporates the so called 'two productions' concept of that process as formulated by Oskar Negt and Alexander Kluge<sup>270</sup>. In their vision in the labor process the worker not only produces a product, but also mutual understanding, solidarity, learning processes and 'zweigen Stücke gegenseitiger Lebendigkeit ab'. Next to the contribution of this line of thinking about the labor process in a dialectical sense, Hartz points at several researchers whose approach could be combined with his own. For instance, the study of the French sociologist of work Philipp Bernoux on reclaiming control over the labor process<sup>271</sup>, the more 'essayistic' work of Miklós Haraszi<sup>272</sup> in the 70s describing 'Schwarzarbeit' in the former socialistic countries of central and eastern Europe.

Particularly relevant for my own work on the Mondragon experience seems Ronald Hartz's pointing at the promising approaches of some strands of (labor) psychological researchers like Walter Volpert or Winfried Hacker, representing 'action regulation theory' (in German: '*Handlungsregulationstheorie*', or HRT). In simple terms, the HRT investigates and conceptualizes first, the interrelation between cognition and action, second, the labor process, that is, the 'regulation' of labor, and third, the historical-social character of human labor. Notably regarding this latter dimension of labor, he mentions the work of Leontiev, the Russian psychologist, closely connected with Lev Vygotsky, the great inspirer of Carl Ratner's macro cultural psychology. Notably the 'anti-taylorist' foundational logic of this psychological approach and its focus on forms of labor which stimulate one's personality and wellbeing could open avenues to fruitful research within the dialectical framework as proposed by Ronald Hartz. Particularly Leontiev's activity theoretical approach reveals close affinities with Marx's 'philosophy of praxis'.

### ***The valorization process. (Verwertungsprozess)***

'Necessarily any production process must be viewed as a unity of labor process and valorization process. As outlined above, in the *capitalist* production process this means there always must be produced not only use value, but surplus value as well. Analytically

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- 269 Honneth, A., 1980. *Arbeit und instrumentales Handeln. Kategoriale Probleme einer kritischen Gesellschaftstheorie*. In: Honneth, Axel/Jaeggi, Urs (Hrsg.): *Arbeit, Handlung, Normativität. Theorien des historischen Materialismus 2*. Frankfurt/Main: Suhrkamp, p. 225.
- 270 Negt, Oskar/Kluge, Alexander, 1993. *Geschichte und Eigensinn*. 3 Bde., Frankfurt/Main: Suhrkamp, p. 102.
- 271 Bernoux, Ph., 1979. *La résistance ouvrière à la rationalisation: la réappropriation du travail*. In: *Sociologie du Travail*, 1(1979), p. 76 ff.
- 272 Haraszi, M., 1975. *Stücklohn*. Berlin: Rotbuch Verlag.

we can identify the surplus value creating part of the production process as 'valorization process' and the use value producing part the 'labor process'. The overarching moment in labor organizations is constituted by the control of the production process and the appropriation of the product(s).' (Hartz 2009: 295).

### 3.3.3 The micro level (the 'Sphere of the Subject')

Within the dialectical perspective the micro level of analysis regards the 'sphere of the subject', or the 'self-consciousness' or, termed as focusing on 'identity', a term with many theoretical and philosophical connotations. The micro level analyzes the relations of the 'self' to itself, to other people, to organizations and social institutions. Referring to Marx's sixth '*Feuerbachthese*' this level addresses human 'nature', that is, his vision on that nature as consisting of the ensemble of social relations, instead of being an internal abstraction (*Abstraktum*). This ontology does not mean determinism, but understands humans as social beings, not existing outside the social and natural world. This micro level of analysis addresses the relations between the self-relation and 'the dialectic of modern (labor) organizations'.

The author distinguishes the 'micro-macro relationship' as regarding the role of the subject in producing social reality, in terms of Hegel and Marx focusing on the unfolding subject-object dialectic within this individual-social (micro-macro) relationship. This dialectic between objective society and history, viewed in this framework as 'the general' (*das Allgemeine*), and subjective actions or practice (*Tun*, *Praxis*) as 'the particular' (*das Besondere*) is expressed in the well-known quote of Marx that 'men create their own history, but not on self-chosen conditions' ("*nicht aus 1) freien Stücken und 2) nicht unter selbstgewählten [...] Umständen.*" (Hartz 2009: 300).

The author emphasizes that his dialectical, three-level analytical framework should not be viewed as a closed system, a 'totality' in dialectical sense. The modern labor organization, the corporation, is conceived as a historical expression and essential element of capitalist society. Hartz's dialectical approach rejects any a-historical reification of this historical expression. The account of the work of Max Weber, the discussion about Hegel and particularly Marx, suggest that on the one hand these organizations cannot be understood without addressing society as a whole (*die Totalität der gesellschaftlichen Praxis*), and on the other hand these organizations being crucial to understand this totality of social praxis. The so called 'sphere of production' conceived as a unity of labor and valuation processes constitutes a key element of this understanding of social processes and subjective practices.





4



**Theorizing the State as a crucial  
macro cultural factor: a strategic-  
relational and ideational approach**



In order to extend and refine Carl Ratner's macro cultural psychological approach to the 'Mondragon experience', particularly his 'original sin thesis', I fortunately could make use of 'the world's most restlessly creative state theorist' (praise of Jamie Peck<sup>273</sup>), or 'one of the most outstanding and influential contemporary exponents of state theory' (Alex Callinicos<sup>274</sup>) to theorize the (Spanish) State, in the terms of Friedrich Engels 'the first ideological power' as a crucial macro cultural factor. Particularly, Jessop's early work on corporatist arrangements<sup>275</sup> and the concept of 'corporatism', his deep knowledge of Poulantzas' writings (in this case notably on the crisis of Southern Europe's dictatures), his elucidation of 'periodization' as a Marxian inspired, distinct form of historical research, and his assessment of 'The Amsterdam School Perspective' proved to be very helpful in this respect. In short, the 'strategic-relational (and ideational) approach' to the State constitutes a key element of this monograph's theoretical perspective, offering a fruitful heuristic device to substantiate theoretically and historically the 'original sin thesis' as an alternative to the 'degeneration thesis'. The valuable, for this monograph highly relevant, work of the Basque scholar Jule Goikoetxea<sup>276</sup> on, for instance, Basque territories and democratization adopts the SRA as well.

#### 4.1 Gramsci as a pioneer of cultural political economy

"The cultural turn in political economy could well be interpreted as a cultural return. As noted in the Introduction, classical political economy, historical materialism, the German Historical School and 'old institutionalisms' included the cultural moment of political economy as a matter of course, and some, such as the German Historical School, privileged it in the guise of different 'spirits' of capitalism. As economics was reorganized as a specialized discipline, especially when linked to a commitment to formalization, semiotic topics were marginalized or abandoned.<sup>277</sup>" The authors considering subsequently the 'rich and challenging work of Antonio Gramsci' as a pioneer of cultural political economy.<sup>278</sup> They write: "The potential of a critical engagement with semiosis for developing critical political economy can be seen in the rich and challenging work

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273 Jessop, B., 2008. *State Power*. Polity Press. Back page.

274 *Ibid.*

275 In his volume *State Power*, p. 31, Jessop calls this work 'preparatory' for his book *The Capitalist State* (1982).

276 Goikoetxea, J. 2017. *Privatizing Democracy. Global Ideas, European Politics and Basque Territories*. Bern: Peter Lang International Academic Publishers.

277 See also Carl Ratner in his 'Macro Cultural Psychology. A political philosophy of mind.', 2012, *Historical background*, p. 44: 'The tenets of macro cultural psychology and of social science in general, originated in the human sciences movement (Geisteswissenschaften), in Germany in the 1770s. This movement introduced the concept of culture as fundamental to human life.'

278 Ngai-Ling Sum and Bob Jessop, 2013. *Towards A Cultural Political Economy, Putting Culture in its Place in Political Economy*. Edward Elgar Publishing. Pages 72-76.

of Antonio Gramsci. He can be read as a proto-cultural political economist if one looks beyond his alleged contributions to cultural criticism or cultural studies (an invention of the 1970s) or his proto-regulationist notebook on Americanism and Fordism. Far more relevant are his comments on Ricardo's notion of *mercato determinato* (determinate market). Gramsci criticized classical economists and 'pure economics' for their abstract treatment of the market and its 'eternal', universal and 'natural' laws. In response, he redefined 'determinate market' to highlight the historical specificity of economic forms, institutions, and dynamics. It was 'equivalent to [a] determined relation of social forces in a determined structure of the productive apparatus, this relationship being guaranteed (that is, rendered permanent) by a determined political, moral and juridical superstructure (Gramsci 1971: 410; Q 11, par. 52: 1477). In short, he proposed that critical political economy start from the historical character of the 'determinate market' and its social 'automatism' as expressed in the so-called invisible hand of the market. According to Sum and Jessop Gramsci developed these arguments in his accounts of the historical specificity of the capitalist mode of production and his more concrete-complex analysis of the rise of Fordism and its subsequent diffusion from America to Europe and, indeed, beyond. He showed the importance of new economic imaginaries and organic intellectuals in promoting 'Americanism' as a mode of growth in response to the crisis of liberal capitalism and identified how new social and cultural practices helped to consolidate Fordism as a novel mode of regulation and societalization. Gramsci also predicted that Fordism would enter crisis once it was adopted widely and American mass producers lost the monopoly profits that enabled them to pay high wages (1971: 310-13<sup>279</sup>; Q22, par. 13: 2171-5). Gramsci also noted that it would be even harder to implant Fordism in Europe and ensure its stable reproduction. This is because of the deadweight of tradition, the incrustations of the past that must be swept away, and the presence of parasitic classes and strata (ibid.: 281, 285, 317; Q22, par.2: 214-47, par. 15: 2179). This argument explains why Gramsci was interested in the ambivalent status of corporativism (the organization of economic and political life around occupational groupings) in Italy as a form of 'passive revolution' (social transformation directed from above) promoted by an autonomous industrial productive bloc committed to modernizing Italian industry in opposition to semi-feudal and parasitic elements. In short, while he made the struggle for political, intellectual, and moral leadership (hegemony) crucial to the more general struggle to establish, consolidate and reproduce the capitalist social relations, he also recognized the material foundations and future limits of the structured coherence and competitive advantage of Americanism and Fordism.

Thus, the authors continue (pages 74-75), 'Gramsci's analyses have more radical implications for CPE (cultural political economy) than the idea, so often misattributed to him, that economic transformation depends on the battle for hearts and minds. For, as

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279      *Selections from the Prison Notebooks of Antonio Gramsci, edited and translated by Quintin Hoare and Geoffrey Nowell Smith, 1971. London: Lawrence and Wishart.*

Italian commentators have noted for several decades and Anglophone scholars began to argue more recently, Gramsci's whole approach was inspired by his university studies in philology under the direction of Matteo Bartoli, who initiated an approach that was first called neolinguistics and later known as *linguistica spaziale* (spatial linguistics). Gramsci followed this new approach and argued that 'the whole of language is a continuous process of metaphor, and the history of semantics is an aspect of the history of culture; language is at the same time a living thing and a museum of fossils of life and civilisations.' (1971: 450; Q11, par. 28: 1438-9).'

## 4.2 The discursive turn in the Strategic-Relational approach: the place of ideas in the structure-agency debate

In a lengthy quote of his colleague state theorist Colin Hay<sup>280</sup> Jessop (2008: 48-50) points at Hay's working with the SRA to recognize that it can be applied to discourse, recognizing the significance of this discursive turn to the ontological, epistemological, and methodological implications for the development of the SRA as a whole. This turn highlighting the significance of semiosis for the social world and, a fortiori, for an adequate analysis of selectivity and strategic action. This 'discursive turn' not only constitutes an important element in the theoretical trajectory towards Sum's and Jessop's cultural political economy, it forms the theoretical background to my analysis of Arizmendiarieta's 'imaginary' (or, in Joxe Azurmendi's terms 'thoughts' or 'conceptual framework').

In contrast to Azurmendi's 'systematic', that is, a-historical and undertheorized approach to the conceptual framework underpinning Mondragon's 'formula of business', my approach draws on a historical materialist and dialectic theoretical apparatus. Specifically regarding the centrality of Arizmendiarieta's cooperative business-ideas in the 'Mondragon experience', my approach heavily draws on Colin Hay's argument as presented in a 2001 published article on the place of ideas in the 'structure-agency' debate.<sup>281</sup> In the section "*Bringing ideas back in*": *Towards a strategic, relational and ideational approach*' the author writes: 'if we are to demonstrate the centrality of the realm of ideas and ideational processes to the relationship of structure and agency, then it is crucial that we begin with the simplest statement of the ontological assumptions which underpin the strategic-relational approach. First, Hay establishes two 'fairly fundamental ontological premises' of his SRA:

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280 Jessop, B., 2008. *State Power*. Polity Press.

281 Hay, Colin, 2001. 'What Place for Ideas in the Structure-Agency Debate? Globalisation as a 'Process Without a Subject'. Published by First Press: *Writing in the Critical Social Sciences* (2001), archived with permission of the author, Colin Hay by The WSCR Archive (Web Site for Critical Realism).

### 1. *Structure and agency: a purely analytical distinction.*

In opposition to much of the existing literature, the SRA conceives the distinction between structure and agency as a purely analytical one. Neither agents nor structures has an existence in isolation from the other – their existence is relational and genuinely dialectical. Whilst it may be useful analytically to differentiate between structural and agential factors, it is important that this analytical distinction is not reified and hardened into a rigid ontological dualism. Structure and agency, though analytically separable, “are in practice completely interwoven (we cannot see either metal in the alloy only the product of their fusion)”.

### 2. *The material and the ideational: a purely analytical distinction.*

If it is controversial to insist that the distinction between structure and agency is an analytical rather than a real one, then at least equally controversial is the second ontological premise of the strategic-relational approach (as developed here). That is that the distinction between the material and the ideational is also purely analytical. Just as structures and agents do not exist in isolation, so too the material and the ideational are complexly interwoven and mutually interdependent. What is likely to make this ontological insistence yet more controversial is the popular idea that the material itself circumscribes the realm of the real. Whilst this may well be a convenient assumption to make for those keen to retain their access to a positivist methodology<sup>282</sup>, it is somewhat difficult to reconcile with our own experiences and is, above all, limiting. For, whether we come to reject them at some subsequent date, the ideas we hold about the environment (about what is feasible, possible, and desirable) have substantive effects. Moreover, they do not do so independently of that environment itself – both the effects themselves and the ideas we fashion in the first place are mediated by the context in which we find ourselves. Consequently, as with the question of structure and agency, whilst it may be useful to distinguish analytically between the material and the ideational, it is important that an analytical strategy does not crystallize into an ontological dualism.

### 3. *Structure, strategy, and agency.*

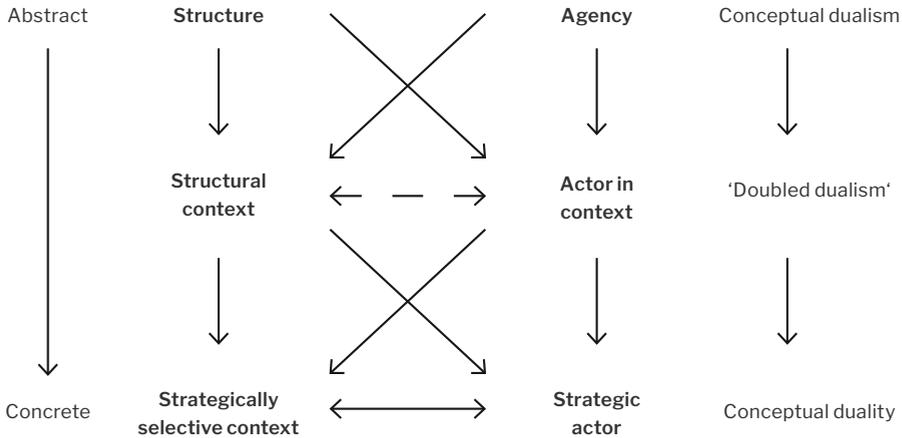
Regarding the relationship between structure and agency, in Hay’s vision actors are conceptualized as conscious, reflexive, and strategic. They are ‘broadly, intentional in the sense that they may act purposively in the attempt to realize their intentions and preferences.’<sup>283</sup> However, they may act also intuitively and/or out of habit. According to

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282 See Carl Ratner’s “Cultural Psychology and Qualitative Methodology, Theoretical and Empirical Considerations”, Ch. 1 ‘Shortcomings of Positivist Methodology for Researching Cultural Psychology’, pp.13-52. New York: Plenum Press. 1997.

283 This conceptualization of ‘agency’ might sound like ‘rational choice (theory)’. But in my view, it has to be emphasized that Hay explicitly points at the actors’ limited knowledge, added by prejudice, confusion, etc. So, his view certainly is not identical to the rational theorists’ conception.

Hay, ‘actors are conceptualized as intentional and strategic, their preferences are not assumed to be fixed, nor to be determined by the material circumstances in which they find themselves.’ *The key to the relationship between structure and agency within the strategic-relational approach is, unremarkably, the concept of strategy. (my emphasis, HW).*



**Figure 3.1** From dualism to duality: the strategic-relational approach

Two closely related features of this strategic imaginary are the spatial and temporal horizons of action. Hay: ‘A strategy, say, for securing economic growth in the context of a globalizing international economic environment over an extended period of time will clearly differ markedly from one designed to produce short-term economic benefit in line with electoral cycles. Indeed, short-termism may well compromise the basis upon which sustained economic growth might be achieved. Thus, the time horizons to which strategies are oriented will itself have important strategic implications.’

**Strategic selectivity.**

This brings Colin Hay to ‘perhaps the definitive concept of the strategic-relational approach’ – *strategic selectivity*. Structures are selective of strategy in the sense that, given a specific context, only certain courses of strategic action are likely to see actors realize their intentions. Social, political, and economic contexts are densely structured and highly contoured. As such they present an unevenly distributed configuration of opportunity and constraint to actors. They are, in short, strategically selective, for whilst they may well facilitate the ability of resource- and knowledge-rich actors to further their strategic interests, they are equally to present significant obstacles to the realization of the strategic intentions of those not similarly endowed. According to the author, patterns of strategic selectivity – and hence the complex configuration of constraints and opportunities that a context presents to a strategic actor – are temporally and spatially specific. ‘The strategic selectivity imposed by the financial markets looks rather

different for an investor seeking an immediate return on her investment that is does for one projecting a similar return over a rather longer period. Similarly, the conditions of economic success for a small locally based firm in a declining national economy are likely to prove fundamentally different from those of a trans-national corporation more free to relocate its productive capacity in line with changing labor costs and market share.’ This element of ‘strategic selectivity’ will be addressed more in detail in the historical perspective of this monograph focusing on the so-called ‘degeneration’ of the Mondragon cooperative movement. More concretely, the theoretical concept of ‘strategic selectivity’ will be applied to historical events like the Manifesto of the critical Basque priests (1968), directed at the then Pope Paul VI and the ecclesiastical and secular authorities in general, the 1974 Ulgor strike, the harsh criticism of the social secretariat of the Vitoria diocese on the cooperative movement at the time (1974). In the historical Part Two of this monograph, I will show how the way Arizmendiarieta and/or the Mondragon management reacted upon these events can be explained by the Personalist cooperative philosophy and practice, underpinning the ‘Mondragon experience’.

*Discursive selectivity: the place for ideas.*

According to Bob Jessop, the first state theorist working explicitly with the SRA to recognize that it can be applied to discourse was Colin Hay (Jessop 2008: 48). Referring to Marx’s pioneering work as a ‘critical discourse analyst’ (avant la lettre)<sup>284</sup>, and Gramsci’s analysis of passive revolution and hegemony to be re-read in similar discourse-theoretical terms to show his sensitivity to the changing scope for articulating hegemonic projects, Jessop points at Hay’s early work in this area, focusing on the ways in which ideas, narratives, and discourse more generally play a crucial role in mediating social structuration. *In particular, he argued, that, in periods of moral panic or social crisis, which are often associated with moral or social disorientation, struggles to interpret an uncertain conjuncture could shape subsequent developments.* (My emphasis).<sup>285</sup> More importantly, in the present context, the ability to win such struggles depended not only on *structural* factors (strategic selectivity) but also on *discursive* factors (discursive selectivity).

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284 See also Norman Fairclough, *Critical Discourse Analysis, The Critical Study of Language, Second Edition, 2010, Ch. 12: Marx as a critical discourse analyst: the genesis of a critical method and its relevance to the critique of global capital, pp. 301-346.*

285 *Not accidentally, in his landmark study of Arizmendiarieta’s thought (El Hombre Cooperativo), Joxe Azurmendi starts with ‘A world in Crisis’, subsequently focusing on ‘a religious view of the crisis’ and ‘a sociological view of the crisis’: “There is a point to highlight. In contrast to the triumphalist and triumphant Catholicism at that time in Franco’s Spain, Arizmendiarieta felt engulfed by the worst religious, social, and cultural crisis ever faced by not just Euskadi [the Basque country], but the world. It is a tragic awareness of the crisis, caused, according to those who were closest to him, by his experience in the war. It is this heightened sense of the crisis, the awareness of its breadth, that enables us to understand the path of his thought.” (p. 36).*

Jessop's lengthy quote from Hay's article on the place for ideas in the structure-agency debate demonstrates 'these ideas are fully compatible with, and, indeed, mark an advance within, the strategic-relational approach as it existed in the mid-1990s'. The significance of this 'discursive turn' in the SRA lying in its ontological, epistemological, and methodological implications for the development of the strategic-relational approach as a whole. For it highlights the ontological significance of semiosis for the social world and, *a fortiori*, for an adequate analysis of selectivity and strategic action. (Jessop 2008: 50). Having noted this full compatibility of Jessop's and Hay's conceptualizing the centrality of ideas to 'any adequate understanding of the relationship between agent and structure, conduct and context', I now continue to elucidate Hay's approach to discursive selectivity and the place for ideas.

In this section of his article about the place of ideas in the structure-agency debate, Colin Hay emphasizes that the assumption that strategic actors have 'a fairly direct and unmediated access to the contours of the terrain they inhabit, such that they can effectively 'read off' the likely consequences of their action from their knowledge of the context in which they find themselves' is '*a most dubious premise, akin to the perfect information assumption much beloved of neoclassical economists and many rational choice theorists. Though convenient and parsimonious, it is unrealistic.*' (My emphasis). According to Hay, actors are reflexive and strategic, and they orient themselves and their strategies towards the environment within which their strategic intentions must be realized. Yet they are by no means blessed with perfect information of that context. At best their knowledge of the terrain and its strategic selectivity is partial; at worst it is demonstrably false.

Given, however, that actors are reflexive, routinely monitoring the consequences of their action, one might expect their perceptions of the context to evolve over time – if not, perhaps, to a situation approximating complete information, then at least to one of relatively reliable reconnaissance. Yet a moment's reflection reveals that this too is unlikely.

The effects of a specific and given intervention are not merely determined by the strategic selectivity of the context at the moment at which the action occurs. A range of additional and – from the vantage-point of the actor about to make an intervention – contingent and unpredictable factors are also relevant. In principle, this gives social and political interaction an inherently indeterminant, unpredictable and contingent quality. When the incomplete information of any given actor is also considered, it is hardly surprising that strategic action almost always includes unintended consequences.

Nonetheless, whilst all contexts exhibit this complex, contingent and unpredictable quality, some are clearly more contingent than others. Interestingly, so Hay, arguments pointing to the globalization of social, political, and economic relations often identify the

growing interconnectedness between once separate contexts. Insofar as such a claim is warranted, this suggests a tendency for ever escalating complexity, contingency, and unpredictability.

In a world which exhibits such qualities, it should come as no surprise that actors routinely rely upon cognitive short-cuts (in Jessop's terms: complexity reduction) in the form of more or less conventional mappings of the terrain in which they find themselves. Thus, for instance, policy makers typically conceptualize the policy-making environment through the lens of a particular policy paradigm – such as Keynesian or monetarist economics. Once again, access to the context itself is discursively mediated. How actors behave – the strategies they consider in the first place, the strategies they deploy in the final instance and the policies they formulate – reflect their understanding of the context in which they find themselves. Moreover, that understanding may eliminate a whole range of realistic alternatives and may, in fact, prove over time to be a systematic misrepresentation of the context in question. Nonetheless, for particular ideas, narratives, and paradigms to continue to provide cognitive templates through which actor interpret the world, they must retain a certain resonance with those actors' direct and mediated experiences. *In this sense the discursive or ideational is only ever relatively autonomous of the material*<sup>286</sup>. (my emphasis).

'What the above discussion hopefully demonstrates, is the centrality of ideas to an understanding of the relationship between agent and structure, conduct and context. It also suggests the power of those able to provide the cognitive filters, such as policy paradigms, selecting for, but never determining, certain strategies over others – it is also *discursively-selective* – selecting for, but never determining, the discourses through which it might be appropriated.'

The final section of the author's development of a conceptual 'capable of interrogating the question of globalization through a strategic-relational approach to structure and agency' addresses '*power and structuration*'.

'Thus far we have dealt with the complex interplay of structure and agency as if all aspects of context were potentially to transformation by all actors. *This is to exclude from the equation the crucial concept of power (emphasis HW)*, understood here as the ability to shape the contexts within which others formulate strategy. We must then differentiate between what might be termed *levels of structuration (emphasis HW)* - with higher levels of structuration relating to structures over which given strategic actors (over a particular time horizon) can be said to have minimal impact. Such structural constraints (and the opportunities they imply) are shaped and reshaped by the actions of the (more)

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286 Cf. Andreas Bieler and Adam David Morton in their volume "Global Capitalism, Global War, Global Crisis", 2018, section 'The Material Structure of Ideology', pp. 67-75.

powerful (whether intentionally or unwittingly), setting the (external) context for the (relatively) powerless. From the vantage point of such actors, these might be considered as non-accessible levels of structure/structuration. They condition the possible range of strategies and actions within a specified social and political context but are not immediately accessible to transformation by the agents that they embed within such a context.

It should immediately be emphasized, however, that this attribution of power to particular actors or organizations is conditional upon time horizon. Structures which might appear non-accessible to actors and organizations over a particular time horizon may well become subject to strategic transformation over a longer period. For, by identifying a collective interest, actors may overcome their powerlessness by pooling their resources and thereby constituting themselves as strategic actors at higher levels of structuration. Consequently, the attribution of power is dependent upon the context being interrogated, the form of that interrogation, the vantage point from which the context is viewed, and the time frame considered.

According to Colin Hay 'crucial aspects of the strategic selectivity of the terrain inhabited by the powerful include the likely reactions of the powerless to particular strategies, and their ability to mobilize strategic resources to empower themselves'.

### **4.3 Cultural Political Economy and Critical Discourse Analysis combined**

In the trajectory towards Jessop's and Sum's 'cultural political economy' (CPE) the close collaboration with Norman Fairclough plays a key role. Fairclough's version of critical discourse analysis (CDA) constitutes a fundamental element of CPE, one could say both approaches are combined in the newly developed cultural political economy. As Jessop wrote in an article called 'Critical semiotic analysis and cultural political economy'<sup>287</sup> he seeks to 'redirect the cultural turn(s) in economic and political investigation by making a case for cultural political economy (CPE), thereby combining concepts and tools from critical semiotic analysis and from critical political economy to produce a distinctive post-disciplinary approach to capitalist social formations.' Jessop points at three features making CPE theoretically distinctive.

'First, along with other currents in evolutionary and institutional political economy and in contrast to generic studies on semiosis, CPE opposes transhistorical analyses, insisting that both history and institutions matter in economic and political dynamics. Second, in contrast to other currents in evolutionary and institutional political economy but in common with other variants of cultural materialism, it takes the cultural turn seriously,

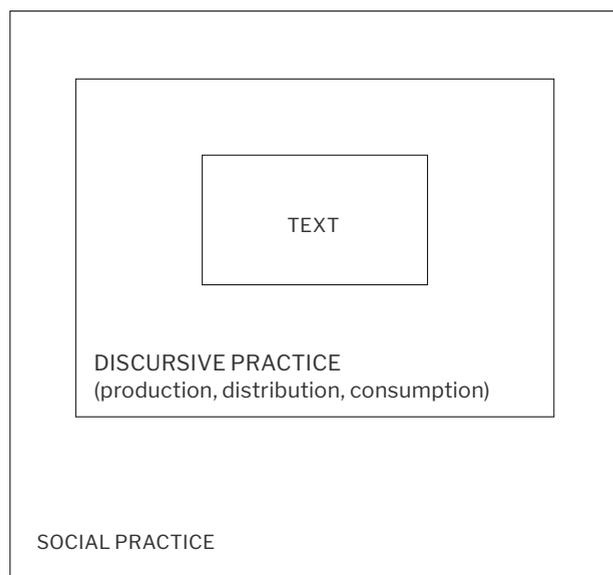
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287 Jessop, Bob., *Critical semiotic analysis and cultural political economy*, in: *Critical Discourse Studies*, Vol. 1, No. 2, October 2004, pp. 159-174.

highlighting the complex relations between meaning and practices. And, third, as opposed to either tradition considered separately, it combines evolutionary and institutional political economy with the cultural turn. It explores these complex relations in terms of three generic evolutionary mechanisms: variation, selection, and retention.' (Jessop 2004:160).

#### 4.4 Norman Fairclough's Critical discourse analysis

Norman Fairclough's version of 'critical discourse analysis' (CDA) is another constitutive element in my theoretical perspective on 'the theorizing of the Mondragon experience beyond the degeneration thesis'. Fairclough's approach to critical discourse analysis has been and still is developing in collaboration with Sum's and Jessop's cultural political economy (CPE), so you could say these can be viewed as theoretically complementing and even partly overlapping, by any means closely affiliated. The committed scholars inspire and influence each other in an intensive dialogue, thereby mutually making contributions to their respective approach. As Fairclough writes: "A case in point is 'cultural political economy'(CPE)(Jessop 2004, Jessop and Sum 2012, 2013). There has been collaboration between this version of CDA and CPE over a number of years, with CPE incorporating elements of CDA into its own theory and analysis, and CDA also seeking integration with CPE (in Fairclough 2006a, 2005 for example)."<sup>288</sup>



**Figure 3.1** Three-dimensional conception of discourse

288 Fairclough, N., 2015 (Third edition), *Language and Power*. London and New York: Routledge, Taylor & Francis Group, p. 40.

In Fairclough's view<sup>289</sup> critical discourse analysis (CDA) has three basic properties:

- 1) It is relational
- 2) It is dialectical
- 3) It is transdisciplinary.

***Relational:***

It is a relational form of research in the sense that its primary focus is not on entities or individuals (in which Fairclough includes both things and persons) but on social relations. Social relations are very complex, and they are also 'layered' in the sense that they include 'relations between relations'. For example, 'discourse' might be seen as some sort of entity or 'object', but it is itself a complex set of relations including relations of communications between people who talk, write and in other ways communicate with each other, but also, for example, describe relations between concrete communicative events (conversations, newspaper articles etc.) and more abstract and enduring complex discursive 'objects' including objects in the physical world, persons, power relations and institutions, which are interconnected elements in social activity or praxis. According to Fairclough we cannot answer the question 'what is discourse' except in terms of both its 'internal' relations and its 'external' relations with such other 'objects'.

It is meaning and making meaning that's in particular what discourse brings into the complex relations which constitute social life. (Fairclough 2013: 3).

***Dialectical:***

The author writes 'these relations are in my view dialectical, and it's the dialectical character of these relations that really makes it clear why simply defining 'discourse' as a separate 'object' is not possible. Dialectical relations are relations between objects which are different from one another but not what I shall call 'discrete', not fully separate in the sense that one excludes the other.' For instance, think of power and discourse. Power is largely achieved in discourse. But state power also includes the capacity to use physical force and violence. 'So power is not simply discourse, it is not reducible to discourse; 'power' and 'discourse' are different elements in the social process (or in a dialectical terminology, different 'moments'). Fairclough refers to Harvey to illustrate this topic.<sup>290</sup> Social activity or praxis consists in complex articulations of these and other objects as

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289 Fairclough, N., 2010. *Critical Discourse Analysis. The Critical Study of Language*. London and New York: Routledge, Taylor & Francis Group. Pages 3-5.

290 Harvey, D., 1996. *Justice, Nature & the Geography of Difference*. Malden (USA), Oxford (UK, Carlton (Australia): Blackwell Publishing. *The Dialectics of Discourse*, p. 78 ff.

its elements or moments; its analysis is analysis of dialectical relations between them, and no one object or element (such as discourse) can be analyzed other than in terms of its dialectical relations with others. In a chapter of the Routledge Handbook of Critical Discourse Studies<sup>291</sup> (2018) Fairclough presented the most recent version of CDA as ‘*dialectical reasoning*’. Emphasizing the relationship between critique, explanation, and action. Regarding the last element, action, the author refers to the ‘*Kilburn Manifesto*’<sup>292</sup> as a political manifesto for transcending neoliberalism, illustrating CDA’s concern not just to criticizing existing reality but also with political action to change it, and manifestos are part of political action.<sup>293</sup> According to Fairclough Stuart Hall’s Gramscian political approach in cultural studies has been particularly influential. Hall, Massey and Rustin begin their Kilburn framing statement by stating that ‘mainstream political debate does not recognize the depth of the crisis, nor the consequent need for radical rethinking...We therefore offer this analysis as a contribution to the debate, in the hope that it will help people on the left think more about how we can shift the parameters of the debate, from one concerning small palliative and restorative measures<sup>294</sup>, to one which opens the way for moving towards a new political era and new understandings of what constitutes the good society’. Discourse (‘debate’) is at the heart of the Kilburn Manifesto, and the central idea is that a social ‘settlement’ like neoliberalism (or a part of it such as marketized universities) has its particular ‘parameters’ or ‘terms of debate’ which must be changed in changing the settlement. Changing the terms of debate can produce a form of debate which ‘opens the way’ to transcending neoliberalism. CDA can use this idea, but it can also help to take it further. This focus on ‘action’ exemplified by the ‘Kilburn Manifesto’ fits perfectly in Carl Ratner’s political-activist approach to cooperatives and cooperative behavior, as illustrated by his 2007 published ‘*Cooperative Manifesto*’<sup>295</sup>, and more generally his ‘*political philosophy of mind*’, that is, macro cultural psychology.

### *Transdisciplinary:*

According to Fairclough CDA is not analysis of discourse ‘in itself’ as one might take it to be, but analysis of dialectical relations between discourse and other objects, elements,

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291 *Handbook of Critical Discourse Studies*, 2018, Routledge, pp. 13-25.

292 Hall, S., Massey, D., & Rustin, M., 2015. *After Neoliberalism? The Kilburn Manifesto*. London: Lawrence & Wishart.

293 Arizmendiarieta’s silencing of the Manifesto of the Basque priests (1968) displays just one case of the so-called non-political or ‘neutral’ position of Mondragon’s founding father regarding key political-economic, social, and cultural structures, processes, and events during his lifetime in Mondragon. This is in sharp contrast to the CDA-triptych of critique, explanation, and action. See my periodization of Mondragon’s history in Part Two.

294 See The New York Times-article “Co-ops in Spain’s Basque Region Soften Capitalism’s Rough Edges”, published Dec. 29, 2020, by Peter S. Goodman.

295 Ratner, C., *The Cooperative Manifesto: Social Philosophy, Economics, and Psychology for Cooperative Behavior*. In: *Journal of Co-operative Studies*, 2007, 40, 3, pp. 14-26.

or moments, as well as analysis of ‘the internal relations’ of discourse. “And since analysis of such relations cuts across conventional boundaries between disciplines (linguistics, politics, sociology and so forth), CDA is an interdisciplinary form of analysis, or as I shall prefer to call it a *transdisciplinary* form.” (Fairclough, 2010: 4).

Given that CDA should be *transdisciplinary analysis*, it should have a *transdisciplinary methodology* (my emphasis). The author uses ‘methodology’ rather than ‘method’ because he sees analysis as not just the selection and application of pre-established methods (including methods of textual analysis), but a theory-driven process of constructing objects of research (Bourdieu and Wacquant 1992<sup>296</sup> for research topics, i.e., for research themes as they initially present themselves to us. Constructing an object of research for a research topic is converting it into a ‘researchable object’: cogent, coherent, and researchable research questions. Objects of research are constructed in a transdisciplinary way based on theorizing research topics in terms of the categories and relations of not only a theory of discourse (such as Fairclough’s version of CDA) but also other relevant theories. These may be, depending on the topic, political, sociological, political-economic, educational, media and/or other theories. *Objects of research constructed in this multidisciplinary way allow for various ‘points of entry’ for the discourse analyst, the sociologist, the political economist and so forth, which focus upon different elements or aspects of the object of research.* (my emphasis).

According to Fairclough, CDA is a form of *critical social analysis*. Critical social analysis shows how forms of social life can damage people unnecessarily, but also how they can be changed. CDA’s contribution is elucidating how discourse is related to other social elements (power, ideologies, institutions etc.) and offering critique of discourse as a way into wider critique of social reality. (Fairclough 2015: 1). Academic critique alone cannot change reality, but it can contribute to political action for change by increasing understanding of existing reality and its problems and possibilities. Better understanding requires better explanations. The author claims CDA offering better explanatory understanding of relations between discourse and other components of social life. CDA combines *critique* of discourse and explanation of how discourse figures in existing social reality as a basis for *action* to change reality. The author writes: ‘this in summary form is what I mean by ‘dialectical reasoning’: a way of reasoning from critique of discourse to what should be done to change existing reality, by way of explanation of relations between discourse and other components of reality. For example: critique of the discourse of modern universities, and explanation of how it figures within the ‘marketization’ of universities, as a basis for action to change them. If universities represent students as ‘consumers’ (creating a problematic or ‘false’ analogy between the two), and this can be explained as part of a strategy to privatize universities, there

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296 Bourdieu, P. and Wacquant, L., 1992. *An invitation to Reflexive Sociology*. Cambridge: Polity Press.

is arguably something amiss which should be changed (Fairclough 1993). *This relation between critique, explanation and (political) action is the essence of CDA.*' (Fairclough 2015: 1, my emphasis). Explanation is of particular importance in this approach to CDA, and other key features of the approach depend upon it. 'The focus is not just on power *in* discourse but also power *behind* discourse, not just on critique of manipulation but also critique of ideology, not just on particular aspects of existing social reality (e.g., representations of migrants in the press) but also its capitalist character and how that impacts upon all its aspects (Fairclough 1989, 2014).

The emphasis shifts between versions of Fairclough's CDA, but in a cumulative way that incorporates earlier concerns into new syntheses, for example, *critique of ideology* remains important throughout.

Particularly this element of CDA (and of CPE and Ratner's MCP as well) will be elaborated more in detail, drawing on the work of the German scholar Jan Rehmann in this monograph on the Mondragon co-ops.





**An ideology-critical approach  
to the 'Mondragon experience'**



The concept of 'ideology' and 'ideology-critique' is one of the main features of every theoretical approach constituting the theoretical perspective of this monograph. First, Carl Ratner calls 'ideology' a 'major psychological tool'<sup>297</sup>. Second, ideology(-critique) constitutes an important element in the theoretical work of Bob Jessop (for instance in his strategic-relational State approach, or, his Cultural Political Economy, developed in close collaboration with Ngai-Ling Sum and influenced by the work of Norman Fairclough), as well as, third, in Fairclough's Critical Discourse Analysis (CDA). Fourth, several 'Amsterdam School' scholars have paid and are still paying substantial attention to ideology-critique. In order to, first, theoretically and historically deepen the approaches developed by these researchers, and second, to apply the elaborated theoretical framework to the 'Mondragon case', moving from 'the abstract simple' to 'the concrete complex', I will start with a brief outline of the ideology-critical perspective of professor Jan Rehmann, subsequently clarify the (ideology)-critical assessment of the Catholic Church's 'social doctrine' by Marie-Dominique Chenu. This theologian and social thinker conceptualizes the social doctrine of the Catholic Church, foundational to Arizmendiarieta's cooperative philosophy, as an ideology endorsing the status quo of the real existing social order. That is to say, in the only legitimized interpretation of that 'doctrine', being ultimately the Pope's reading of notably the 'social encyclicals' like *Rerum Novarum* (1891) and *Quadragesimo Anno* (1931). My account of Arizmendiarieta's and Mondragon's cooperative philosophy will focus on the intimate relationship between this social doctrine and Arizmendiarieta's or Mondragon's cooperative 'praxis', the intermingled theory and practice.

I argue that using the ideology-critical approach offered by Jan Rehmann, combined with the critical approach of a range of other scholars, enables me to explain fundamental flaws in Mondragon's cooperative philosophy and practice constituting impediments to ever reaching Arizmendiarieta's ultimate objective, the new person in a new social order, being a *radical alternative* to the existing capitalist order. The ideology-theoretical informed historiography of the 'Mondragon experience' as presented in the historical Part Two of this monograph will reveal the problematic relationship between *the original philosophy (or conceptual framework) and practices* of the Mondragon cooperative 'movement' as instigated by Father José María Arizmendiarieta and the ultimate objectives, creating a new 'person' in a new 'order'. The reconstruction of Mondragon's genealogy in this monograph will show that the self-acclaimed, 'constantes', that is, key elements of the Mondragon cooperative 'movement', being 'solidarity' and 'democracy' were either absent, or only to a limited extent realized in practice. Particularly Mondragon's coops start-up and consolidation during the Franco regime contradict Arizmendiarieta's claim regarding 'solidarity' and 'democracy' being 'constantes' of his cooperative movement at the time.

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297 Ratner, C., 2019. *Psychology's Contribution to Socio-Cultural, Political, and Individual Emancipation*. Ch. 3., *Ideology as a Major Psychological Tool*, pp. 91-93. Palgrave Macmillan.

## 5.1 Ideology-Critique with the Hinterland of a Theory of the Ideological: the 'Projekt Ideologietheorie'

In chapter nine of his volume "Theories of Ideology" (Rehmann 2014: 241-271) elucidates main tenets of the 'Projekt Ideologiekritik', founded by the German philosopher and social theorist Wolfgang Fritz Haug in 1977. Rehmann, presently teaching philosophy and social theories at Union Theological Seminary in New York and the Free University in Berlin, actively participated in this scholarly project of a number of German academics, collaborating to develop 'a theory of the ideological'. This project culminated (in 1985) in 'Umriss zu einer Theorie des Ideologischen'.<sup>298</sup>

The theoretical starting point for the 'Projekt Ideologiekritik' (PIT) formed the work of the late Friedrich Engels who anchored the concept of ideology in a critical theory of the state. According to Rehmann it was Engels (in his 'Ludwig Feuerbach and the End of Classical German Philosophy' (1888) who introduced his concept of 'ideological power' [*ideologische Macht*] : "The State presents itself to us as the first ideological power over man", which means that the fight of the oppressed class against the ruling class 'necessarily becomes a political fight'.<sup>299</sup> This implies that the state, as the first 'ideological power', conditions an ideological form of the political, which is of course not a mere form of consciousness, but a form which social practices and struggles must actually assume. Engels then described the law as a second ideological power, by which 'the economic facts must assume the form of juristic motives in order to receive legal sanction'. He then added philosophy and religion as the 'higher ideologies', i.e., those that are still 'further removed from the economic base'.

"If one rereads *The German Ideology* through the lens of Engels' concept of ideological powers, one can identify a line of argument that relates ideologies, in the traditional sense of 'inverted' and mystifying thought-forms, to a materialist concept of the ideological, that is, with ideological apparatuses, 'ideological forms', 'ideological estates', and 'conceptive ideologists' that are part of what Gramsci called the 'integral state' and 'civil society'. Althusser would take up many of these concepts from Gramsci, while at the same time distancing himself from Marx and Engels, whose ideology theory he erroneously reduced to a speculative critique of 'false consciousness'. *The Projekt Ideologietheorie (PIT)* took a different path and considered Marx and Engels's reflections on ideology to be summarized' in the late Engels's concept of ideological powers: 'Marx and Engels's analyses are focused on the connections between state and ideology, their ideology-critique is oriented towards...the withering away of the state'<sup>300</sup> (Rehmann 2014: 60).

298 Haug, W.F., 1985. *Umriss zu einer Theorie des Ideologischen*. In: *Theorien über Ideologie*, pp. 178-204. West-Berlin: Das Argument Sonderband AS 40.

299 Engels, Friedrich, 1886, 'Ludwig Feuerbach and the End of Classical German Philosophy', in: *Marx and Engels 1975-2005*, Vol. 49.

300 PIT 1979, p. 19.

The approach to the concept of 'ideology' and 'ideology-critique' of the PIT's theorists must be viewed, so Rehmann, as a 'resumption of Marx and Engels's critical concept of ideology. This approach is ideology-critical in the sense that the PIT deals with the functioning of ideological powers, practices, and discourses from the perspective of their 'withering away' in a society without class-, state-, and patriarchal domination. 'To avoid a widespread misunderstanding, it must be clarified from the outset that this is not about a utopian vision of a society without 'power-relations'. The concept of 'domination' is not to be confused with the concept of 'power', which is, as Max Weber put it, 'sociologically amorphous'. (Rehmann 2014: 241).

The author summarizes the PIT's ideology-critical perspective in the following hypothesis: "In an 'association in which the free development of each is the condition for the free development of all', and in which the 'associated producers govern the human metabolism with nature in a rational way, bringing it under their collective control instead of being dominated by it as a blind power', ideology in the sense of a 'voluntary' subjection to class-, state-, and patriarchal domination loses its functional necessity. If in a developed classless society the 'enslaving subordination of the individual to the division of labor, and therefore also the antithesis of mental and physical labor has vanished', there is no longer any need for an 'illusory community' that hovers *above* actual social life. This is not to be confused with the assumption that *all* illusions and projections would be replaced by complete transparency, which is in my estimation no more than a rationalist illusion rendered obsolete by Freud's discovery of the unconscious. *A critical ideology-theory deals with systemic illusions supporting relations of domination rather than with the epistemological question of 'truth' and error in general* (my emphasis). Since the ideological powers and apparatuses emerged together with antagonistic classes and alongside the social divisions of manual and intellectual labor, they can in principle be liberated from their alienated position, reclaimed, and reintegrated into the 'horizontal' structures of a democratic-socialist society. Of course, such a perspective should not be understood as an empirical prognosis but rather as a methodical principle for analysis." (Rehmann 2014: 243).

## **5.2 Analyzing Mondragon's foundation: the social doctrine of the Catholic Church**

Following Joxe Azurmendi's conclusion that Arizmendiarieta's 'formula of business' (that is, his cooperative business formula), was theoretically grounded in Personalism as a catholic social doctrine, we must scrutinize in detail the consequences of this premise for the actual problems facing the transnationalized Mondragon 'coopitalist' corporations.

To theoretically (and historically) substantiate my main thesis, that is, the Mondragon cooperative social experiment has to be assessed as a *failed experiment*, judged by the self-acclaimed main, ultimate objectives of its founding father Arizmendiarieta, I have constructed a philosophical-theoretical framework or toolkit by combining distinct but

closely affiliated critical approaches. As elucidated above in this Part One, an important common denominator of these approaches constitutes 'ideology critique'.

### 5.3 The ideological function of the Church's 'social doctrine'

Based on a close reading of key texts (mainly produced and promulgated by Popes) on the so called 'social doctrine' of the Catholic Church, the prominent French theological scholar (and Dominican priest) Marie-Dominique Chenu, concluded in his booklet "*La 'Doctrine Sociale' de l'Église comme idéologie*", the French version published in 1979, first published in Italian in 1977, that the 'social doctrine' of the Catholic Church functioned as an ideology.

This critical account, offered by an authoritative expert from 'within' (the Catholic Church), well versed in the debates and produced texts during the Second Vatican Council, provides, as already briefly explained above, an invaluable theoretical-philosophical underpinning of the overtly ideological function and character of the Catholic 'social doctrine' by showing its grounding in metaphysical, Catholic dogmas (a deductivist approach). Thereby contributing conceptually-theoretically, and fitting in my theoretical perspective, to my 'original sin thesis'.

His argument can be embedded in the critical ideology theoretical framework as presented by Jan Rehmann, a conceptual toolkit fitting in basic concepts and lines of thinking of notably but not exclusively, Ratner's macro cultural psychology, Martin-Baro's liberation psychology, Sum and Jessop's cultural political economy, the theorizing of transnationalization of Spain, of corporatism and neoliberalism in the work of Otto Holman (and other 'Amsterdam School' affiliated scholars) and last but not least the key tenets of Ronald Hartz's dialectical theory of labor organizations.

The author resumes his argument in the final, concluding chapter VII, "*La doctrine sociale comme idéologie*". Because of its relevance to the substantiation of my 'original sin thesis' I will cite Chenu at quite some length. The author writes:

*"Les mots ont une histoire, toujours significative, disions-nous en commençant: la lecture des textes nous a amené à observer l'usage et les vicissitudes de l'expression "doctrine sociale". Non pas, comme nous l'avons noté avec insistance, au sens général d'un christianisme que comporte, comme loi essentielle des rapports fraternels entre les hommes, une dimension socio-politique; mais au sens précis et historique de l'usage qui en fut fait par les pontifes et par le magistère ordinaire, à partir de Léon XIII jusqu'aux novations de Jean XXIII.*

*La preuve incontestable de ce destin historique est, après soixante-dix ans d'usage, l'élimination, implicite d'abord, puis intentionnelle, de cette expression dans les discours officiels. Encore fréquemment employée dans Mater et magistra (1961), elle est absente*

de *Pacem in terris* (1963), et exclue de la constitution conciliaire *Gaudium et spes*. On lui substitue une formule apparemment semblable en sa matérialité, mais différente dans sa signification : “enseignement social de l’Évangile”, qui comporte “enseignement” au lieu de “doctrine”, et fait référence directe à l’Évangile et à son inspiration. Il est regrettable que, même dans les tables officielles, on ait bloqué sous la même rubrique “doctrine sociale” des expressions différentes” (Chenu 1979 : 87,88).

Being an expert in the discussions and texts regarding the Second Vatican Council, Chenu refers several times to the production of texts. In this case he refers to the discussions on the expression “sociale doctrine”, to be used or not in the text *Gaudium et spes* (1964):

*“C’est surtout dans la constitution Gaudium et spes que les responsables demandèrent de remplacer “doctrine sociale” par “doctrine chrétienne sur la société”, variant minuscule pour éviter la formule stéréotypée.”*

(...)

In these sentences, Chenu points at ‘the first échec of this concept (the social doctrine), being a text particularly unacceptable to the Third World Churches because of its exclusive focus on ‘Western categories’ not fitting in their local economic and cultural situations. Its ‘unanimizing’ or universalization of historical and geographical particular situations reflects an a-historical approach:

*“Depuis lors, malgré quelque flottement, l’expression est de plus en plus contestée. Elle est particulièrement inacceptable dans les Églises du tiers monde, dans lesquelles les catégories occidentales ne répondent pas aux situations économiques et culturelles locales. En vérité, c’est là le premier échec de ce concept : il unanimise des catégories socio-culturelles qui sont la réflexion d’une situation historique et géographique déterminée, et qui, par conséquent, blessent les réalités qu’elles n’ont pas intégrées. Il détemporalise des notions qui sont le produit du temps dans lequel elles furent élaborées.” (emphasis mine)*

(...)

Chenu sharply criticizes the deductivist approach, in fact ‘consecrating’ a particular hierarchically structured social order, affirmative to the status quo:

*“Bref, on énonce des principes abstraits, à partir desquels, par déduction, on cherche des applications, au lieu de se mesurer effectivement avec les réalités, dans les lieux concrets de l’existence collective, “loin du palais des idées et des pouvoirs”, comme disait le professeur de Rita au Convegno de Rome, en novembre 1976. Il est impossible de déterminer la pratique sociale en prenant comme référence commune pour tous*

*les hommes un monde idéal, censé refléter la gloire divine, sacralisant de fait une structuration hiérarchique particulière de l'ordre social. (emphasis mine)*

The Pope's 'education' proves to be not very effective. Mainly the result of its psychological and sociological unrealism. This method resulting in permanent ambiguities in the proposed solutions and advice. The papal texts universalize and idealize local situations and times, thereby referring predominantly to rural life, pre-industrial and pre-capitalist habits, professional organizations (such as guilds), corporatism, syndicalism, State intervention, etc.

*Ce fut là la cause de la médiocre efficacité de l'enseignement des pontifes. Dans chaque nouveau document, le pape se plaignait de l'attention, de la négligence, des hésitations des chrétiens dans l'application des directives données ; cette tiédeur n'était pas la cause première de cet échec, mais la méthode elle-même, dans son irréalisme psychologique et sociologique. Ce fut là aussi la cause des ambiguïtés permanentes des solutions et des conseils donnés. Étaient idéalisées et universalisées des situations locales et temporaires : références à la vie paysanne, régime de civilisation pré-industrielle, coutumes pré-capitalistes, organisations professionnelles, corporatisme, syndicalisme, intervention de l'État, etc. (emphasis mine).*

Ultimately, Chenu continues, a particular presentation of God precedes this idealization. In the Papal texts we see a God who established eternal laws governing the world's order by his imperturbable providence. Vis-à-vis this divine Providence the human people's more or less passive docility guarantees social order's stability and authority. This 'deism' formed 'the ideology of the 19<sup>th</sup> century bourgeoisie' and can be traced back into the spirituality of the social doctrine. In contrast to some recent texts, the official documents of the Vatican frequently refer to natural right and 'philosophia perennis' (eternal philosophy), as proposed by Pope Leo XIII (Encyclical Letter *Rerum Novarum*, 1891).

*A la limite, c'est la représentation même de Dieu qui préside à cette idéalisation : du XIXe siècle; il n'est pas sans avoir laissé des traces dans la spiritualité de la doctrine sociale. Un Dieu qui éternellement a établi des lois constitutives de l'ordre du monde, qui gouverne par son imperturbable providence, vis-à-vis de laquelle la docilité plus ou moins passive des êtres humains garantit la stabilité sociale et l'autorité. Ce "déisme", dans lequel l'Évangile du Christ est neutralisé, a été l'idéologie de la bourgeoisie du XIXe siècle ; il n'est pas sans avoir laissé des traces dans la spiritualité de la doctrine sociale. On aura observé, au contraire, que, dans les textes récents, l'appel au message de l'Évangile est donné comme la motivation de l'engagement du chrétien, beaucoup plus que les requêtes du droit naturel ou d'une philosophia perennis, tels que, en significative cohérence, les prônait Léon XIII. (emphasis mine, Chenu 1979: 90).*

(...)

In the next passage, Chenu points at the ideological function of the dominant theology, that is, the theology officially legitimated by the Vatican (notably since the Polish Pope John Paul II and afterwards). This theology, circumventing liberation in the sense of being politically-historically-geographically situated and partial, takes refuge to an abstract vision only taking account of the 'permanent human condition' in all its hopes and miseries. This type of theology has often served as a warning to those who did not want to maintain the status quo.

In this monograph I will show the fundamental difference between these two opposing theological visions by comparing the approach of priest Ignacio Martín-Baró (a liberation theology/psychology approach), and the approach of priest José María Arizmendiarieta (a Maritainian Personalist theology). In contrast to Arizmendiarieta, Martín-Baró did not ground his 'liberation psychology/theology' in the Church's social doctrine, but in taking side of the oppressed, poor people and taking 'concientización' as the horizon for his psychological and pastoral work. The different approaches will reveal their different empowering and emancipatory capacities, thereby contributing to my assessment of Arizmendiarieta's (Mondragon's) original flaws in his cooperative ideology and practice, largely due to his Personalist conceptual framework.

*“Ainsi, par son magistère, elle peut amener ses fidèles à s'intégrer eux-mêmes dans l'histoire de la libération des hommes. Le rapport entre libération et salut n'a de sens que s'il est historiquement situé. Autrement dit, la libération totale, définitive du Christ se médiatise toujours dans des libérations historiques partielles. Ainsi faut-il récuser une théologie abstraite qui prendrait seulement en compte la condition permanente de l'humanité, dans ses espoirs comme dans sa misère. Ce type de théologie a souvent servi, et sert encore, de caution idéologique à ceux qui, détenant à maintenir le statu quo.”*

(...)

*Non pas éthique de la loi naturelle, mais théologie de l'Incarnation et de l'assomption des réalités terrestres. Les “théologies de la libération”, émanant du messianisme des opprimés, ne se construisent pas sur les dossiers de la “doctrine sociale”. (Chenu 1979 : 93).*

*Il ne s'agit donc pas, pour l'Église, de proposer un “modèle” préétabli, un projet de société, une “troisième voie”, qui se trouverait en concurrence idéologique avec d'autres régimes sociaux, le libéral ou le communiste, et par lequel une Église-chrétienté exercerait sa religion comme la forme déterminante de la civilisation. Consciemment ou non, les tenants et acteurs de la “doctrine sociale” sont pénétrés du mythe de la chrétienté. Bernanos dénonçait dans le christianisme social “l'alibi d'une faillite de la chrétienté.”*

*Conception juridico-sociétaire qui n'est qu'un avatar de la potestas indirecta.*" (Chenu 1979 : 93-94)

Ainsi s'établit un régime compétitif de l'Église avec la société humaine, dans l'illusion de pouvoir présenter aux spécialistes des problèmes sociaux un système de solutions rationnelles irréfutables, et, en un temps, fidèle expression des principes chrétiens. (Chenu 1979: 94)

(...)

Chenu's sharp critique of the ideological nexus power-knowledge can perfectly be applied to Spain, notably in the Franco era, coinciding with the start and consolidation of the Mondragon coops. See the work of Otto Holman on Spain's transnationalization. He points at the Church as one of the 'poderes fácticos', next to the army and the oligarchy.

*Pouvoir qualifié d'indirect : c'est un trait des idéologies de tourner en instrument de pouvoir les notions et les représentations qu'elles idéalisent. La savoir est manipulé par le pouvoir, sinistre détournement de la théologie, dans une Église qui, d'une Église de communion, est devenue une Église du pouvoir pour lui-même possédé.* (Chenu 1979 : 95)

(...)

"Le Concile a expressément rejeté ce "pouvoir". Mais il s'est longtemps imposé, depuis le propos de Pie XII, basant la construction d'une "saine démocratie" sur les principes immuables de la loi naturelle et la collaboration pacifique des classes, jusqu'à la déclaration récente sur la sexualité.

C'est par une tout autre opération que se pose et se résout le problème : le discernement prophétique des "signes des temps" en compose la ligne et le nerf, selon l'expression évangélique à laquelle Jean XXIII a donné crédit. "Signes des temps" : c'est le mot adéquat pour signifier l'effort nouveau des chrétiens dans leur herméneutique de la société, et pour qualifier la nouvelle conscience de l'Église dans le déroulement de l'histoire actuelle. Au lieu de chercher à appliquer une doctrine générale à des cas particuliers, l'attention se porte sur la lecture de l'histoire comme telle, afin de discerner dans certains événements leur valeur symboliques, pour autant que des événements constituent des points de convergence pour des espérances collectives. Lire le sens évangélique de ces événements, ce n'est aucunement les abstraire de leur réalité terrestre ; c'est en eux-mêmes, dans leur propre et pleine densité qu'ils sont signes.

Ajoutons que cette émergence de valeurs ne peut être perçue que par et dans l'agir. Lire les signes des temps, c'est être provoqué à l'action, et, en même temps, on ne les lit que parce qu'on agit simultanément. Sans doute est-ce là, contre toute méthode idéaliste,

le test du réalisme chrétien, selon lequel on “fait la vérité” (S. Jean). La foi n’est pas une idéologie.” (Chenu 1979: 96).

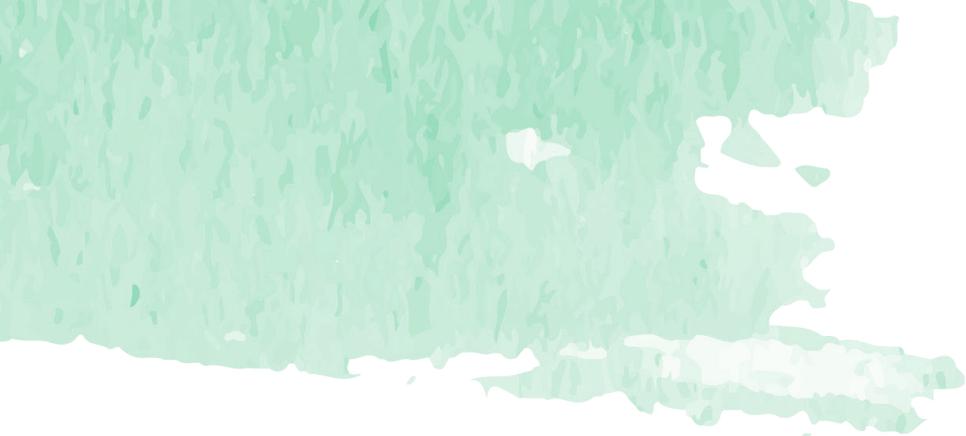
This sharp (ideology)-critique of an insider, well versed in the Church’s teachings and institutional practices, notably the Second Vatican Council, will be used to contextualize the general critical ideological approach of notably Jan Rehmann by historically linking this theoretical approach to the concrete practices of Mondragon’s founding father and Catholic priest (now considered to be canonized) in the historical perspective, Part Two, of this monograph.

To complete my refinement and extension of the macro cultural psychological foundation of this monograph, I would now turn to the approach of the so-called ‘Amsterdam School’ or, put otherwise, the ‘Dutch’ branch of transnational historical materialism (THM), more specifically, to the work of a prominent ‘member’ of that ‘School’, the Amsterdam based scholar Otto Holman on the ‘transnationalization’ (and modernization as well as Europeanization) of Spain in the 70s and 80s of the 20<sup>th</sup> century.





6



**Theorizing the transnational: a  
historical materialist approach,  
applied to the case of Spain**



In order to theorize the Mondragon experience beyond the ‘degeneration thesis’ and thereby substantiating an alternative explanatory model, I will utilize the analytical toolkit offered by the materialist historical, Gramscian inspired approach of the so-called ‘Amsterdam School’<sup>301</sup>. In this particular case of the ‘Mondragon experience’ the doctoral thesis of Otto Holman, a scholar working within the historical materialist paradigm of that ‘School’, proved to be very helpful. Holman’s acute theoretically informed historical analysis of Spain’s transnationalization process, that is, its Europeanization and modernization during specifically the so called ‘Socialist decade’ (1982-1992) enables me to dissect the theoretical flaws in the conventional, mainstream accounts of the ‘degeneration’ of the Mondragon co-ops, supposedly interlocked with Mondragon’s ‘transnationalization process.’ Combined with the theoretical approaches of Carl Ratner, Sum’s, Jessop’s, Fairclough’s, and Hay’s strategic-relational and ideational approaches, together with Rehmann’s Gramscian ideology-critical perspective, Holman’s work on the transnationalization and Europeanization of Spain completes the filling in of Ronald Hartz’s dialectical theory of the corporation in capitalist societies. Thereby at the same time completing my theoretical perspective and bridging the theoretical and historical part of this monograph.

Before zooming in on Otto Holman’s dissertation on Spain, I would like to outline in brief terms the main, distinctive tenets of his ‘Amsterdam’ inspired historical materialist approach to the study of international politics and political economy. Drawing on the lucid overview by Bob Jessop<sup>302</sup> in his ‘Putting the Amsterdam School in its place’, he distinguished ‘five thematic clusters’ characteristic of this ‘School’ within ‘transnational historical materialism’(THM), (Jessop 2019: 269-70):

1. *Reflecting the Marxian emphasis on the world market, it posits that capital has always been international or, rather, non-national. Marx’s comments on the tendential unity of the world market and the continuing plurality of territorial states also inform AS work on the changing relationships among global, transnational, and national scales of accumulation and societalization reflecting different modes of insertion into the international division of labor and/or inter-state hierarchies. (My emphasis). A concern with how internal and external factors interact to shape capitalist regimes is reflected in the dialectical articulation of two notions of hegemony: a system of class rule and a*

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301 Bob Jessop and Henk Overbeek (Eds.), 2019. *Transnational Capital and Class Fractions, The Amsterdam School Perspective Reconsidered*. Ch. 21, *Putting the Amsterdam School in its Place*, pp. 263-292.

302 See ‘*Transnational Capital and Class Fractions, The Amsterdam School Perspective Reconsidered*, Edited by Bob Jessop and Henk Overbeek (Routledge, 2019), pp. 263-286.

power relationship among states (Overbeek in Chase-Dunn et al. 1994: 368<sup>303</sup>). These aspects reflect the 'classical core' of the AS: the political articulation of class interests by capital fractions and fractions of the bourgeoisie, rival CCCs (comprehensive concepts of control, HW), hegemony, and historical bloc.

2. *There is the analysis of segments, currents, fractions of capital and concepts of control, and class formation at different scales of mobilization at the political and ideological as well as economic level* (van der Pijl 1984<sup>304</sup>; Overbeek 1990<sup>305</sup>), (my emphasis). This remains an important theoretical move, as van der Pijl explains: 'the fraction concept can help to connect economics and politics in a way which cannot be achieved by either a monolithic concept of capital with a big "C" ...or the politicism of mainstream IR, in which states are the privileged or even exclusive actors' (1998: 3<sup>306</sup>). This distinctive focus is reflected in the AS's spiral movement between concept formation and historical research. A key aim is to identify rival CCCs (comprehensive concepts of control, HW) based on different syntheses of more immediate (or economic-corporate) concepts that reflect specific hierarchies of classes and class fractions (Overbeek and van der Pijl 1993: 3<sup>307</sup>).
  
3. *The relation between the world market and territorial states is explored, following van der Pijl, focusing on 'state-society complexes' (cf. Cox 1981), in terms of the differential articulation of capital/capitals to the state system* (my emphasis). He distinguishes a relatively unified Lockean heartland organized in the shadow of the hegemony of the CCC and military-diplomatic power of a leading state; and a plurality of Hobbesian contender states that promote the interests of home-based capitals vis-à-vis other contender states and the heartland. These positions are associated with different state forms. While liberal states, a pluralistic power bloc, a separation between ruling class and governing class, and self-regulating civil society based on civil law characterize the 'Lockean heartland' of advanced capitalism. 'Hobbesian' states are led by dominant economic-political class – or state class – a planning and coercion in pursuit of catch-up development (van der Pijl 1989, 1998, 2007). *State-*

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303 Chase-Dunn, C., Taylor, P., Giovanni Arrighi, G., Cox, R., Overbeek, H., Gills, B., Gunder Frank, A., Modelski, G., and Wilkinson, D. (1994). *Hegemony and social change*. *Mershon International Studies Review* 38(2): 361-376.

304 Van der Pijl, K., 1984, *The making of an Atlantic ruling class*. London: NLB.

305 Overbeek, H., 1990, *Global capitalism and national decline: The Thatcher decade in perspective*. London: Unwin Hyman.

306 Van der Pijl, K., 1998, *Transnational classes and international relations*. London: Routledge.

307 Overbeek, H. and Van der Pijl, K., 1993, *Restructuring capital and restructuring hegemony: Neo-liberalism and the unmaking of the post-war order*. In H. Overbeek (Ed.), *Restructuring hegemony in the global political economy: The rise of transnational neo-liberalism in the 1980s* (pp. 1-27). London: Routledge.

*civil society relations are an important theme (e.g., Holman on their rearticulation following the collapse of the Francoist regime, 1993<sup>308</sup>, my emphasis).*

4. *The AS also has a relatively distinctive take on the internationalization of the state and its role in underpinning transnational hegemony (de Graaff 2014; Carroll et al. 2010). This is a prominent theme in critical IPE but was already implicit in the AS concern with transnational class formation and the role of national territorial states, inter-state cooperation, and transnational governance regimes in promoting the conditions for accumulation on a world scale. Newer AS themes in this regard are multi-level and multi-spatial meta-governance, new forms of global governance, including new regulations for corporate governance, and, of course, the return of the capital-state nexus (Holman 2004<sup>309</sup>; van Apeldoorn et al. 2010; Overbeek 2012; and van Apeldoorn et al. 2013<sup>310</sup>).*
5. *Inspired by van der Pijl, there is also strong interest in the cadre class and the different roles that its members could play, whether as leading figures in developing concepts of control and CCCs, coordinating or governing different institutions and networks, attempting to secure social cohesion by managing the evolving contradiction between the private and the social, and acting as relays of class strategies across different domains and sites of struggle. These roles remind one of Gramsci's concept of *organic intellectuals* (my emphasis) and their expanded role in the enlarged state (*lo stato allargato*) that developed in the inter-war period and subsequently.*

## **6.1 The Amsterdam School (or Project) and neoliberalism**

After having outlined these five distinguishing thematic clusters of the AS, Bob Jessop focuses on the prominent role of the critique of neoliberalism in the AS research programme:

*"The critique of transnational neo-liberalism in the 1990s can...be seen as the culmination of the genesis of the AP [Amsterdam Project], the analysis in which all of the diverse*

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308 Holman, O., 1993, *Transnationalism in Spain: The paradoxes of socialist rule in the 1980s*. In H. Overbeek (Ed.), *Restructuring hegemony in the global political economy: The rise of transnational neo-liberalism in the 1980s*. (pp. 134-161). London: Routledge.

309 Holman, O., 2004. *Asymmetrical regulation and multidimensional governance in the European Union*. *Review of International Political Economy* 11(4): 714-735.

310 Van Apeldoorn, B., de Graaff, N., Overbeek, H., 2013, *The state-capital nexus in the global crisis: Rebound of the capitalist state*. London: Routledge.

*theoretical influences came together in a coherent and distinctive research programme.* (Overbeek 2004<sup>311</sup>: 129)

Throughout its 'life course'<sup>312</sup>, from genesis to maturity and crisis, neoliberalism is analyzed as a *transnational* political class project designed to restore capitalist class power, developing in different ways in the Lockean heartland and its outposts (e.g., Australia), in the semi-periphery (e.g., Chile), and periphery (e.g., on Latin America and the Caribbean, Fennema and van der Pijl 1987). In the periphery, it was imposed through disciplinary neoliberalism (on which, see Gill 1995; and van der Pijl 1998: 47). Although it has a different face in each country, it should not be studied as the sum of basically unrelated individual national developments. Rather, reflecting the AS rejection of the ontological primacy of a pre-given world systems logic and the methodological privileging of national economies and states, it studied neoliberalization in terms of the variegated development of a novel CCC or, as Fennema and van der Pijl express it in Spanish, a '*cosmovisión*' (1987<sup>313</sup>: 39ff.).

## **6.2 A logical-historical approach to the political economy of capitalism and the anatomy of bourgeois society**

In Jessop's brief account of some 'philosophical and theoretical considerations' about the AS, he identifies the theoretical approach of these scholars as 'logical-historical'.<sup>314</sup> This approach involves theoretically guided comparison to move stepwise from abstract-simple categories to concrete-complex analyses of specific cases to establish how the social world comprises a 'rich totality of many determinations and relations' (Marx 1986<sup>315</sup>: 37). In other words, concepts get progressively and coherently refined as they are applied across a range of historical cases with a view to producing a consistent account of specific cases in which commonalities and differences have their proper weight.

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311 Overbeek, H., 2004. *Transnational class formation and concepts of control: Towards a genealogy of the Amsterdam Project in international political economy.* *Journal of International Relations and Development* 7(2): 113-141.

312 Overbeek, H., and Van Apeldoorn, B., 2012. *Introduction: The life course of the neoliberal project and the global crisis.* In *Neoliberalism in crisis* (pp. 1-20). Basingstoke: Palgrave-Macmillan.

313 Fennema, M., and van der Pijl, K., 1987. *El triunfo del neoliberalismo*, collab. J. Ortega. Santo Domingo: Ediciones Taller.

314 This 'logical-historical' approach is strikingly like 'the logical-historical method of presentation' of Sum's and Jessop's CPE (cultural political economy). See 'Towards a Cultural Political Economy. Putting Culture in its Place in Political Economy,(2013), p. 7.

315 Marx, K., 1986. *Introduction.* In *Economic manuscripts of 1857-58 (first version of Capital)* pp 17-48). London: Lawrence & Wishart.

As the spiral of scientific enquiry continues, analytical categories are continually redefined. For, 'concepts are never introduced once-and-for-all at a single level of abstraction' (Aglietta 1979<sup>316</sup>: 15). This stepwise process is reflected in successive refinements of concepts (like, for instance, abstract *capital fractions* from more concrete *class fractions*) through yet more detailed 'historical as well as a transnational analysis' concerned with specific multi-layered spatio-temporal conjunctures that can extend to larger than national complexes of states and societies and entire historical eras. In this provisional, fallible two-way spiral process, 'the objective is the development of concepts and not the "verification" of a finished theory' (Aglietta 1979: 66). Empirical evidence still has a key role in building and evaluating theory. (Jessop 2019: 273).

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316 Aglietta, M., 1979. *A theory of capitalist regulation: The USA experience*. London: New Left Books.





7



**Theory and history: methodological  
considerations on periodization  
versus chronology**



Drawing on the theoretical perspective as outlined above, this monograph on the Mondragon co-ops and the ‘degeneration thesis’ employs a method of historical research contrasting to the mainstream approach. This last method could be termed a ‘chronological’ approach. Notably following Otto Holman’s work on the transnationalization of Spain, I will apply his method of ‘periodization’, embedded in the historical materialist perspective of the so-called ‘Amsterdam School’. According to Jessop, this method of ‘periodization’ constitutes one of the ‘distinctive features of the Amsterdam School in global political economy’<sup>317</sup>. Closely related to the key aspect of the dialectic of structure and agency, and the way this dialectic concerns the conditions in which social forces can make a difference (Jessop 2019 : 279), this particular Marxian inspired approach to historical research differs in three ways from the mainstream, chronological method. First, ‘whereas a chronology orders actions, events, or periods on a single unilinear time scale, a periodization operates with several time scales. Thus, *The Eighteenth Brumaire* is replete with references to intersecting and overlapping time horizons, to unintended as well as self-conscious repetitions, to dramatic reversals and forced retreats as well as to surprising turnarounds and forward advances, and to actions and events whose true significance would emerge only in the later course of history. Second, while a chronology recounts simple temporal coincidence or succession, a periodization focuses on more complex conjunctures. It classifies actions, events, and periods into stages according to their conjunctural implications (as specific combinations of constraints and opportunities on the pursuit of different projects) for the actions of different social forces on different sites of action over different time horizons. For each period, Marx identifies the possibilities it offers for different actors, identities, interests, horizons of action, strategies, and tactics. He also interprets periods from diverse perspectives, emphasizes how the balance of forces comes to be transformed over time,

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317 See Otto Holman’s ‘Transnationalism in Spain, the paradoxes of socialist rule in the 1980s’ in: ‘Restructuring hegemony in the global political economy: The rise of transnational neo-liberalism in the 1980s, edited by Henk Overbeek, (pp. 134-161), 1993. London: Routledge. Holman: ‘While recognizing this long-term transition [ that is, from oligarchical and elitist rule to liberal democracy, roughly from 1875 to 1975, HW], many contemporary observers of modern Spain have attempted to subdivide this period into minor phases or stages of socio-political development (e.g., Payne 1987). In such cases, an ideal-typical sequence of stages is used to explain political or economic modernization in individual countries. Periodization then becomes an analytical tool in itself, both in explaining long-term national development and in comparing different countries on the basis of ideal-typical patterns of sequential, progressive change. Contrary to this view, this contribution argues that periodization always remains a process in thought and has no analytical power in its own right. Theoretical and empirical analysis must precede periodization. Moreover, periodization is a way of ordering the past from the viewpoint of the present, reflecting our present knowledge of the past, helping to understand our present situation without offering us more than a tendential insight into future developments.’ (pp. 136-37).

and identifies decisive turning points. Third, whereas a chronology typically provides a simple narrative explanation for what occurs by identifying a single temporal series of actions and events, a periodization rests on an explanatory framework oriented to the contingent, overdetermined interaction of more than one such series. (Jessop 2008: 88-89).

## 7.1 Periodization as historical research: studying history backward

All the theoretical perspectives combined constituting the theoretical perspective of this monograph use the specifically Marxian and Gramscian inspired methodology of historical research called 'periodization' as outlined by Jessop. This methodologic viewpoint contrasts with the mainstream 'chronological' approach. In the historical Part Two of my work on 'Mondragon' I will follow this path. That means constructing a theoretically informed 'periodization' of Mondragon's genealogy, thereby following Marx' method of 'studying history backward'. Particularly drawing on Ollman's clarifying this 'neglected feature of Marx's materialist conception of history'<sup>318</sup>, my approach to Mondragon's past will adopt the vantage point of the present to view the conditions that gave rise to it. Marx's unusual approach to studying history is rooted in his acceptance of the Hegelian philosophy of internal relations, the much-neglected foundation of his entire dialectical method. (Ollman 2003: 116). In this way, labor, and capital, for example, in virtue of their close interaction, are conceived of as aspects of each other. Marx calls capital and labor "expressions of the same relation, only seen from the opposite pole". Likewise, the unfolding of this interaction over time, its real history, is viewed as internally related to its present forms. Things are conceived of, in Marx's words, "as they are and *happen*", so that the process of their becoming is as much part of what they are as the qualities associated with how they appear and function at this moment. Ollman: 'With the philosophy of internal relations, a major problem arises whenever one want to stress a particular aspect or temporal segment of this ongoing interaction without seeming to deny or trivialize its other element. One of the main ways Marx tried to resolve this problem is with the notion of "precondition and result." Like contradiction<sup>319</sup>, metamorphosis<sup>320</sup>, and quantity/quality change – though less well known than any of these – the notion of precondition and result enables Marx to pursue his studies more effectively by bringing certain aspects of change and interaction into sharper focus. Specifically, precondition and result is a double movement that processes in mutual interaction undergo in becoming both effects and makers of each other's effect simultaneously. For this, the two must be viewed dynamically (it is a matter of *becoming* a precondition and *becoming*

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318 Ollman, B., 2003. *Dance of the dialectic: steps in Marx's method*, Ch. 6: *Studying History Backward: A Neglected Feature of Marx's Materialist Conception of History*, pp. 115-126. University of Illinois Press.

319 See David Harvey's "Seventeen Contradictions and the End of Capitalism" (2014).

320 See Timo Heim's "Metamorphosen des Kapitals" (2013).

a result) and organically (each process only takes place in and through the other).’ (Ollman 2003: 116). It is not only that we must have the result in hand in order to examine what served it as a precondition, but it is the very occurrence of the result that transforms its major interlocking processes, its present conditions, into preconditions.







**The theoretical perspective  
summarized**



Taking the mini-symposium on 'Mondragon and the degeneration thesis' (Nijmegen, 2017) as starting point of this monograph, the focus of my investigation is on producing a theoretically and empirically informed historiography of 'the Mondragon experience'.

To substantiate the so-called 'original sin thesis', a term alluding to the Christian-Catholic background of Mondragon's founding father Arizmendiarieta and coined by the American cultural psychologist Carl Ratner, I have used his 'macro cultural psychological' political philosophy of mind as general (meta)theoretical foundation for this work on the Mondragon experience. Ascending from Ratner's 'abstract-simple' framework to Mondragon's 'concrete-complex' historiography, I extended and refined his theoretical perspective.

Drawing on Colin Hay's critical introduction to political analysis<sup>321</sup> my approach could be summarized as follows:

1. *The analysis of this monograph is conceived as inherently, irredeemable, and essentially political, like its subject matter.* As soon as we move from the realm of mere description to that of explanation, we move from the realm of science to that of interpretation. In this realm there are no privileged vantage-points, merely the conflict between alternative and competing narratives premised on different ontological, ethical, and normative assumptions. To take seriously the ethical responsibility that comes with an acknowledgement that epistemology cannot adjudicate political claims is then to insist on three things: (i) that political analysis remains essentially political and refuses to abandon its ability to think of a world different from our own simply because such claims cannot be adjudicated with ultimate certainty; (ii) that it seeks to acknowledge its necessarily normative content; and (iii) that it strives to render as explicit as possible the normative and ethical assumptions on which it is premised.
2. *A balanced conception of the relationship between structure and agency,* being a key tenet of all the theoretical building stones constituting my conceptual framework.
3. *Inclusive in its conception of the political,* inclusive in its incorporation of extra-political factors and *attentive to the interaction of the domestic and the international or transnational.*
4. *Sensitive to the potential causal and constitutive role of ideas* in social, political, and economic dynamics.
5. *Attentive to the contingency, open-endedness, and inherent unpredictability* of social, political, and economic systems.

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321 Hay, C., 2002. *Political Analysis. A Critical Introduction.* Palgrave Macmillan.

While arguing that all these elements can be identified in Ratner's macro cultural psychological approach, it is by extending and refining his perspective with notably Jessop's, Sum's and Hay's strategic-relational and ideational approach, combined with Fairclough's critical discourse analysis (CDA), Ronald Hartz's dialectical theory of modern labor organizations, Jan Rehmann's ideology-critical reading of Gramsci's theory of hegemony, and last, but certainly not least, the 'Amsterdam School' (or historical materialist) perspective on, for instance, the transnationalization process of Spain in the second half of the 20<sup>th</sup> century, that enables me to elaborate more in detail on the five main tenets just mentioned.

***Theorizing the Mondragon 'coopitalist'<sup>322</sup> corporation. A dialectical, multi-level analysis.***

Focusing on the key 'macro cultural factor' of the Mondragon experience, the (co-operative) corporation, viewed as a particular 'institution' characterizing that experience, I have used Ronald Hartz's dialectical theory of modern labor organizations as a heuristic device to build my theoretical perspective in extending and refining Carl Ratner's foundation. In his dialectic and critical approach Hartz designates three levels of analysis, that is, the *macro*-level of 'society', the *meso*-level of 'the organization' and the *micro*-level of the 'subject'. Fitting in the author's dialectical approach, these 'separate' levels are internally related, or, termed otherwise, viewed as 'moments' of the social process.<sup>323</sup>

***Political economy, ideology-critique, ideology theory, discourse, and language.***

Regarding the '*macro-level*', or more precisely, the macro-meso level, Hartz's analytical framework can be put at work to explain the particular relationships between the 'Mondragon-style' co-operative corporation(s), that is, the '*meso-level*' of 'organization', and the 'society' ('*Gesellschaft*') in which it is embedded. As Hartz writes: '*Die Makroebene enthält grundlegende Reflexionen des gesamtgesellschaftlichen Zusammenhangs*' (Hartz 2009: 266). To analyze these social relations between the Mondragon co-ops and the political economic order they are embedded in, I have made use of the strategic-relational (and ideational) approach (SRA) to the state, as part of a wider theory of society, as developed in decades by Bob Jessop and later on with Ngai-Ling Sum, culminating in their 'cultural political economy' (CPE). This wider theory of society must 'give due recognition to the constitutive role of semiosis in organizing social order' (Jessop 2008: 7), so main tenets of CPE will be combined with key insights from Norman

322 Term coined by Anjel Errasti, in his article 'Mondragon's Chinese subsidiaries: Coopitalist multinationals in practice', in: *Economic and Industrial Democracy* 2015, Vol. 36(3) 479-499.

323 See for instance the elucidating account of such approach by David Harvey in his volume "*Justice, Nature & the Geography of Difference*", chapters 2 *Dialectics*, 3 *The Leibnizian Conceit*, and 4 *The Dialectics of Discourse*, pp. 46-95, 1996, Blackwell Publishing.

Fairclough's version of critical discourse analysis (CDA). Focusing on the constitutive role of semiosis I have elaborated on the ideational dimension by utilizing notably Jan Rehmann's theoretical approach to ideology-critique. This theorizing work, in my view compatible with main tenets of CPE as well as CDA, proved to be particularly applicable to the 'Mondragon case' because of Rehmann's work on 'the fascistic modifications of the ideological'. My analytical toolkit regarding the 'foundational reflections on the integral social relationships' between the Mondragon co-ops (meso-level) and its social context (macro-level) will be completed by putting at work the historical materialist approach of the so-called 'Amsterdam School', notably of Otto Holman, on the transnationalization of Spain.

Regarding the *meso-level* (the 'organization'), my focus is on the theoretical construct of the Mondragon co-ops viewed as modern labor organizations. In Marxian terms regarding 'the sphere of production'. In line with Carl Ratner's macro cultural psychological foundation and the theoretical extension and refinement of his perspective as outlined above, the theorization of Hartz's 'meso-level' will draw on Harry Braverman's seminal work 'Labor and Monopoly Capital'. In this volume the 'founding father' of the so-called 'labor process theory' (LPT) attempted to apply and thereby revitalize Marx's critique of capitalism to the analysis of modern labor-organizations in the historical context of monopoly capital. In his critical review of subsequent work in this field, originally labeled as LPT-oriented, Ronald Hartz points at the process of '*eine zunehmende Entleerung dieses anfänglichen konzeptionellen Kernstücks*'<sup>324</sup>(an increasing de-marxianizing of Braverman's original approach). Similar to Jessop's call to 'marxianizing Foucault' (Jessop and Sum 2013: 206) I would argue we need a 're-marxianizing' of the work of scholars like Andrew Friedman, Richard Edwards, Paul Kerr Edwards and Michael Burawoy. Notably to counter the well-known charge of Braverman's 'missing the subject' in his groundbreaking 'Labor and Monopoly Capital' Carl Ratner's cultural psychological approach will be used to extend and refine Braverman's pioneering work.

Finally, for the analysis of the *micro-level*, or more precisely, the micro-macro level, we can use Carl Ratner's Marxian-Vygotskian cultural psychological approach, enabling us to transcend alleged dualisms like objective-subjective, or material-mental (body-mind). Moreover, his *critical* psychological perspective, complementing the invaluable work of notably the German *critical* psychologist Klaus Holzkamp, could fill 'the gap' of the still largely unresearched aspect of the "*Umsetzung und Wirkungsweise des Ideologischen*

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324 Hartz, R., 2009. '*Dieses Anderssein aufzuheben... Grundlagen einer dialektischen Theorie der modernen Arbeitsorganisation*. Münster, Das Westfälisches Dampfboot, p.

*im Individuum*” (W.F. Haug 1986<sup>325</sup> : 204), that is, the efficacy of ‘the ideological’ to the individual, regarding the ‘contours of a theory of the ideological’ (“*Umriss zu einer Theorie des Ideologischen*”). I would argue, in the context of Jan Rehmann’s ideology-critical reading of Gramsci’s philosophy of praxis, this synergy between a critical psychological perspective à la Holzkamp or Ratner and the ideology-theoretical approach à la Rehmann opens philosophical-theoretical avenues to tackle the complexities of the Mondragon cooperative experience, or, put otherwise, to theorize ‘beyond the degeneration thesis’ regarding this experience.

So, the next Part Two will start with authoritative, mainly empirical, accounts of the present ‘form’ and functioning of the Mondragon corporations in the first two decades of this 21st century. Taking the present as vantage-point for my historiography I will proceed to investigate the preconditions determining this ‘historical’ result, thereby drawing on the philosophical-theoretical and methodological perspective as outlined above.

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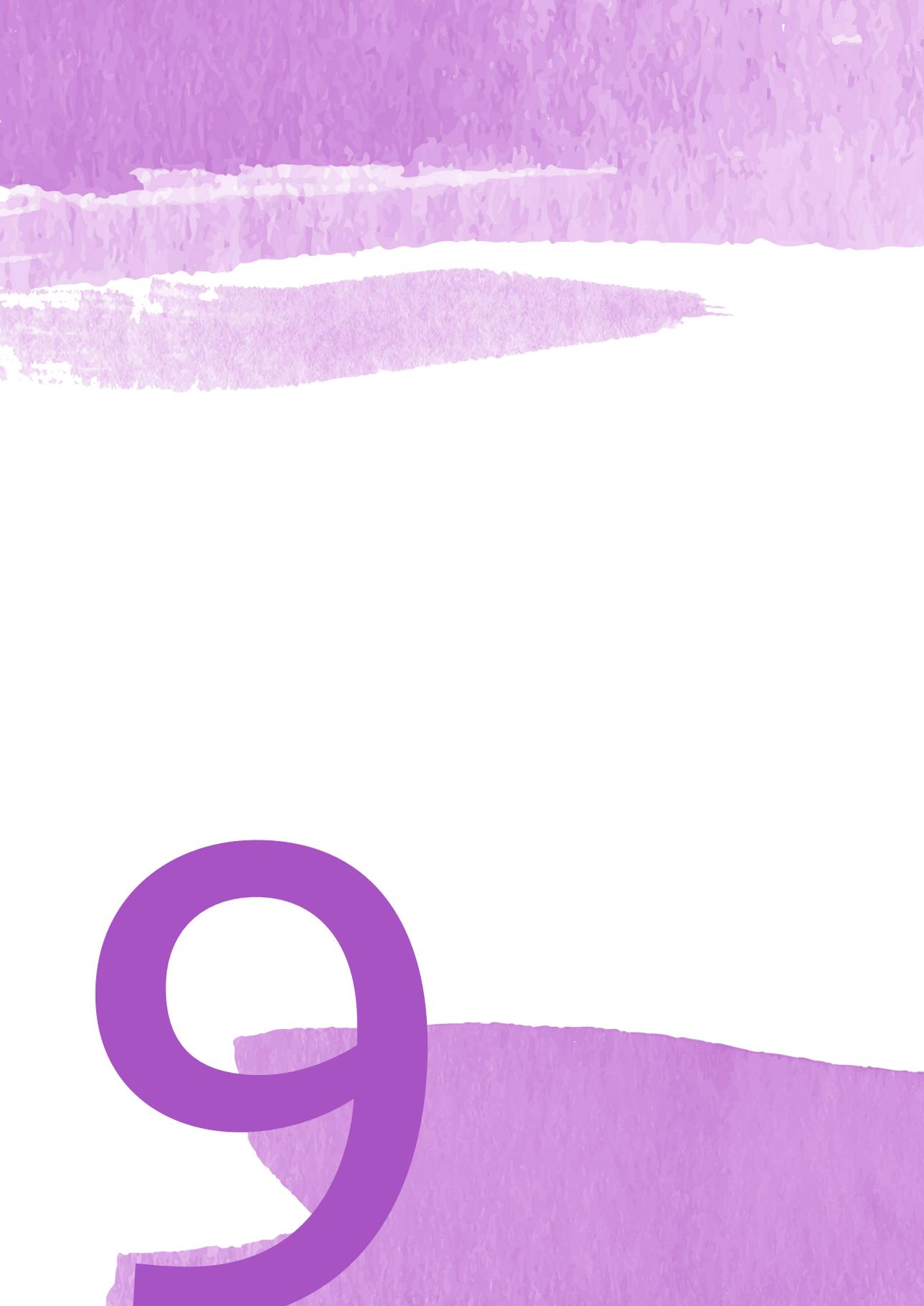
325 Haug, W.F., Hrsg., 1986. *Theorien über Ideologie. Projekt Ideologie-Theorie*, 3. Auflage. Argument-Sonderband: AS 40. West-Berlin: Argument Verlag. Haug writes: ‘Die Umsetzung und Wirkungsweise des Ideologischen ist noch weitgehend unerforscht, eine Kritische Psychologie des Ideologischen, ein Einholen der Sozialisationstheorie, ist vorerst noch Desiderat.’ (p. 204).

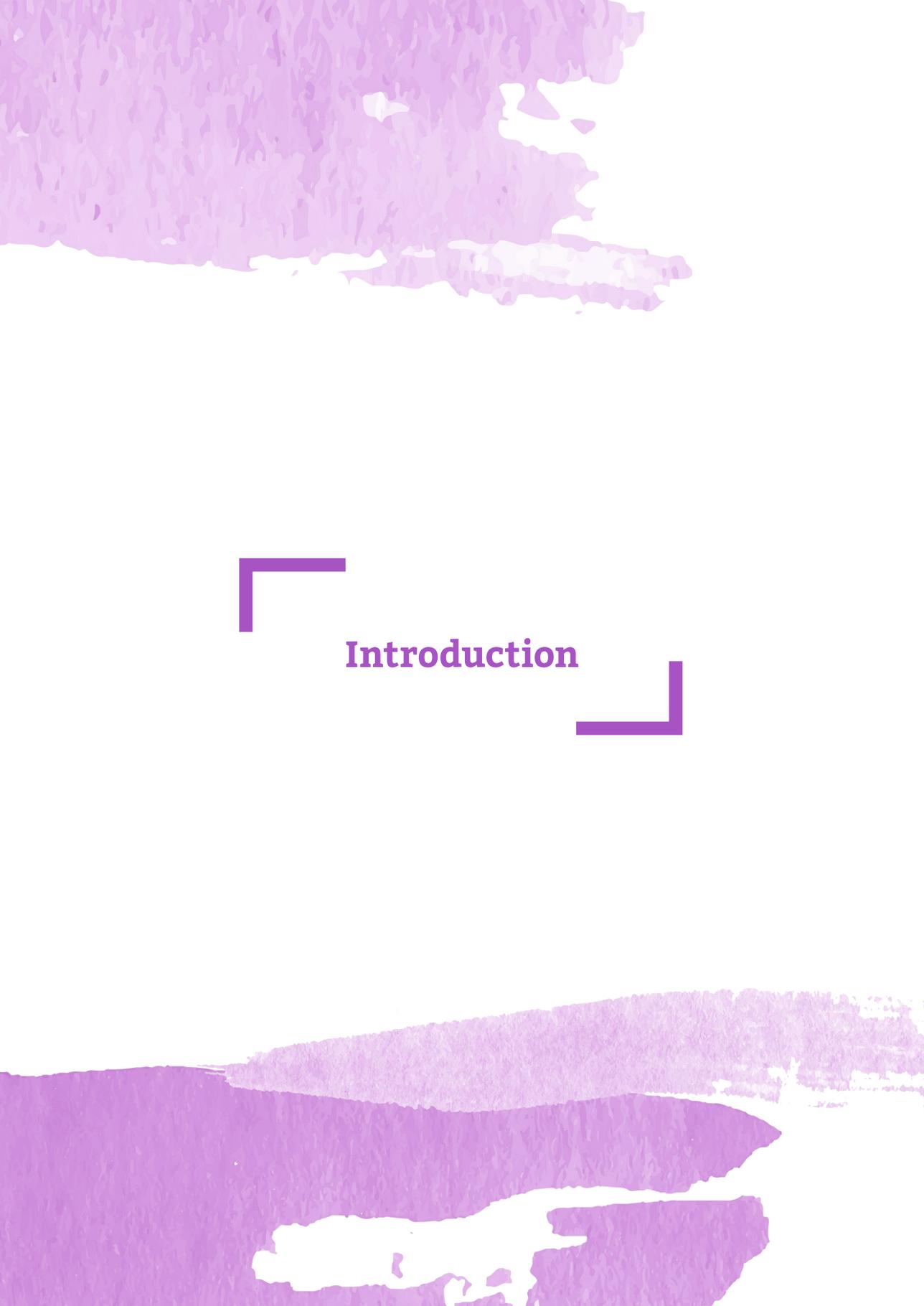




**Part Two**  
– The Historical Perspective







## Introduction

As outlined in Part One of this monograph, the theoretical approach draws on a historical materialist, dialectical perspective. Put in the terms of Bertell Ollman used in his description of the steps in Marx's method, this thesis could be viewed as an attempt to perform 'the dance of the Dialectics'. One of the implications of this dialectical approach regards the key role of the philosophy of internal relations and the process of abstraction. Adopting these and other Marxian inspired ontological, epistemological, methodological as well as normative insights, two only analytically distinguished perspectives are presented in this monograph. In reality theory and history are considered to form a 'contradictory totality' encompassing internally interpenetrating 'moments'. The presented historical periodization of Mondragon's cooperative experience in Part Two could not have been constructed without a grasp of theory and without attempts to use it creatively in the preceding Part One. The historical perspective exposes the entanglement of the theoretical and historical moments.

### 9.1 Studying history backward and periodization: adopting the vantage point of the present

In contrast to the conventional, mainstream way the story of 'the Mondragon experience' is told, a narrative beginning in the past and proceeding to the (near) present, this monograph studies Mondragon's history 'backward' (Ollman 2003<sup>326</sup>: 115 ff). Put differently, its approach to history and historical research could be termed '*periodization*' (Jessop 2008<sup>327</sup>: 88-89) instead of the conventional 'chronological' procedure. This distinctive approach is grounded in Marx's materialist conception of history. He believed that we could best approach how the past developed into the present by adopting the vantage point of the present to view the conditions that gave rise to it. This research procedure concretely applied to the 'Mondragon case' means the historical perspective, Part Two, of this monograph will start with *the present situation* of the complete network of 'coopitalist' corporations building 'Mondragon', thereby focusing on the 'tensions and contradictions for the multinationalized cooperatives and the idea and practice of economic democracy'. (Errasti 2015<sup>328</sup>: 480). Having started with the accounts of distinguished researchers of the actual processes and characteristics of the Mondragon 'network', *the conditions* that gave rise to these processes and characteristics will be traced back into the origin of the 'Mondragon experience'. Within this methodological framework, and referring to the passages about 'discursive selectivity', that is, the role of ideas 'particularly in periods of moral panic or social crisis, which are often associated

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326 Ollmann, B., 2003. *Dance of the Dialectic. Steps in Marx's Method. Ch.6: Studying History Backward: A Neglected Feature of Marx's Materialist Conception of History*, pp. 115-126. University of Illinois Press.

327 Jessop, B., 2008, *State Power. Section 'On Periodization'*, pp. 88-89. Cambridge: Polity Press.

328 Errasti, A., *Mondragon's Chinese subsidiaries: Coopitalist multinationals in practice. In: Economic and Industrial Democracy 2015, Vol. 36(3) 479-499.*

with moral or social disorientation, struggles to interpret an uncertain conjuncture could shape subsequent developments' (p. 57 of this monograph) my selection of processes and/or events in Mondragon's history is guided by the political and power effects of such moments of social crisis within and inextricably related to 'external' processes.

*This historical part of the monograph proceeds as follows.*

Methodologically drawing on my Marxian inspired studying history backward, I will take as starting point the *present* situation, that is, the contemporary 'tensions, dilemmas and contradictions' of Mondragon's 'coopitalist' corporations. In order to obtain a fairly accurate account of the present situation as conceived by several distinguished researchers, their accounts of this present-day situation will be presented and briefly reviewed. In view of the main research question of this monograph, the focus is on the 'degeneration' and/or the 'regeneration' thesis in comparison to my own 'original sin' thesis, thereby seeking to theorize the Mondragon cooperative experience beyond the 'degeneration thesis'.

This first step, conceived as the most recent 'results' of 'pre-conditions' in the past, will be followed up with the presentation and review of the 'landmark event' in Mondragon's history<sup>329</sup> called '*The Reflection on the Meaning and Future Directions of the Cooperative Experience*' (RFCE). This process of self-reflection of Mondragon's members about themselves, the past, and the future, resulted in a renewed Corporate Management Model (CMM). So, within my historical research procedure this RFCE could be viewed as a set of *conditions* for the present problems facing Mondragon.

To trace back further into the origins of the MCE we have to investigate the 'internationalization' or 'transnationalization' of the Mondragon cooperatives. This process could be viewed as the direct, most important reason for the (self)-reflection process called the RFCE. So, subsequently, the third marking point will be the start of Mondragon's *transnationalization process* set in motion directly linked to the entrance (1986) of Spain in the European Economic Community (EEC). Drawing on the 'periodization' approach as elucidated in the theoretical perspective, my account of this historical process will be informed theoretically and empirically by particularly though not exclusively, the work of scholars like Otto Holman and Bastiaan van Apeldoorn, both intellectually affiliated to the so called 'Amsterdam School'. Adopting this research procedure enables me to unpack the highly fashionable but also deeply contested concept of 'globalization' and relate it to Mondragon's transnationalization process from the 90s onwards.

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329 Azkarraga, J., Cheney, G. and Udaondo, A., 2012, 'Workers participation in a globalized market: Reflections on and from Mondragon', in M. Atzeni (ed.), *Alternative Work Organizations*, New York: Palgrave Macmillan.

I would argue that the transnationalization of Mondragon's cooperatives cannot be understood without a clear view at the process of Spain's 'opening to Europe', a process already setting in during the last years of the Franco regime, that is the 70s.

The next 'ruptural event' in my periodization will be 'the most serious internal conflict' (Whyte and Whyte) Mondragon faced up till then, in the early 70s. More specifically this episode is focused on *the Ulgor strike in 1974*. The emphasis is on the hotly debated principles and practices as well of the Mondragon co-ops in those turbulent days of transition from the Franco and Arizmendiarieta era to a different political and economic context. To elucidate the conflicting positions taken in these debates my focus is on the internal discussions within notably the Ulgor cooperative at the time, the combative attitude of managers like Jesús Larrañaga, the distant position of Arizmendiarieta, and on the remarkable *critical assessment of the Diocese of Vitoria regarding the cooperative movement, Mondragon included*. In the context of this monograph these sharp conflicts are conceived as events demonstrating fundamental different views about Mondragon's cooperative ideology and practices.

The conflicts around the fundamentals of the Mondragon cooperatives in the 1970s did not come 'out of the blue'. They must be viewed from the political and economic perspective of the growing discontent, protest and resistance to the Franco regime emerging in the 'rebellious' 60s. The regime more and more lost its grip on the originally corporatist organized economic 'order', brutally trying to suppress the protest. In contrast to the largely pro-Franco position of the Catholic Church's hierarchy in the first decades of the dictatorship, in the 60s we saw an emerging radical anti-fascist and anti-Franco group of notably Basque priests. This leftist movement within the Catholic Church can be linked to the short-lived 'aggiornamento' of the Second Vatican Council. In this political economic context, the next episode in my periodization will be outlined. Two sharply contrasting events will be highlighted. First, *the Gold Medal of Labor granted to father Arizmendiarieta* (by Decree of 3 June, 1965, and presented in 1966 by the Minister of Labor, Romero Gorria), second, the *Manifesto of Basque Priests*, a blazing protest, written in 1968 during the occupation of the Seminary of Derio (Bilbao) and directed to the then Pope Paul VI. The young priests demanded a fundamentally different Church that should condemn the brutal, oppressive Franco regime, instead of acquiescing it. These events will be contextualized in my macro cultural psychological approach, thereby emphasizing the fundamentally flawed original ideology and practice of Mondragon's founder, father Arizmendiarieta. Or, put otherwise, in the context of his 'original sin', metaphorically speaking.

The next, final step in Mondragon's historiography brings me to the origin, the first activities of its founding father. This moment of my periodization will focus on the pre-conditions of this 'inconvenient' coincidence between the two just mentioned events in the 1960s. These pre-conditions are to be found in the first decades of Mondragon's

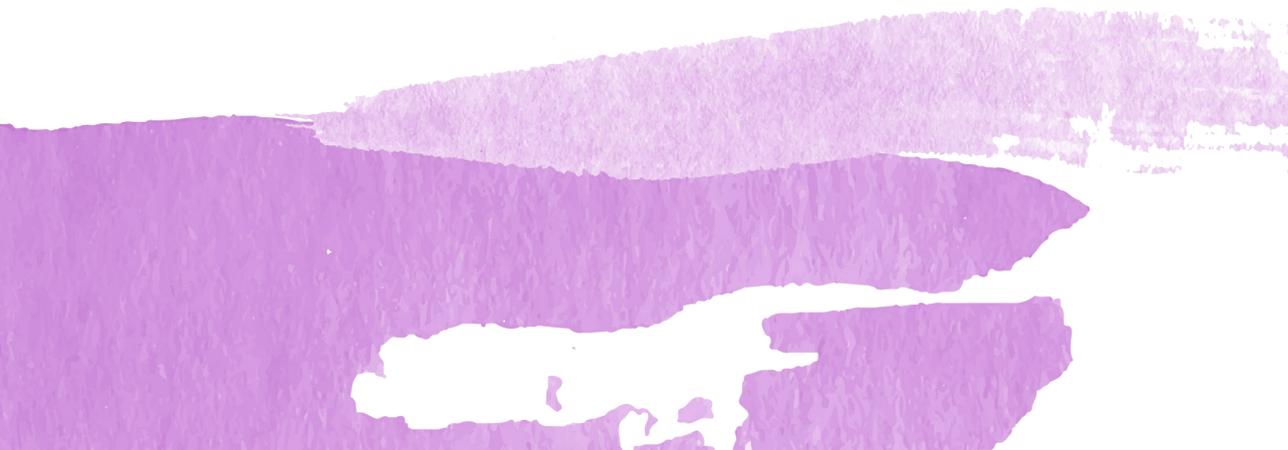
history, focusing on the original activities and thoughts of its founder and inspirer. In their account of the origins of the Mondragon cooperatives, the Spanish historians Molina and Miguez provide compelling historical evidence of two key tenets of this cooperative 'movement', first, its being a *Catholic* co-operativism and second, Arizmendiarieta's original strategic choice to *collaborate* with the Franco regime, rather than to dissent, let alone, resist it. This section of my historical account addresses Arizmendiarieta and his Personalist Catholic social doctrine. For the account of his conceptual framework, I will draw on the work of a range of scholars. Of course, the classic 'Cooperative Man' of Joxe Azurmendi provides a rich source, but to cast the net wider we have to use the work of scholars like Josef Pieper, Guido Fischer, August Marx, Glicerio Sánchez Recio, Matteo Pasetti and others. The vast body of literature addressing the complex concept of 'corporatism' and its relations to fascism, Catholic social thinking, social and Christian democracy proved to be a rich source for the underpinning of my 'original sin' thesis.



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## The present challenges to 'Mondragon' in practice



To start this historical perspective with the research findings of the Basque-Spanish academics Marcuello, Errasti and Bretos on the organization life cycle of cooperatives under a 'grow-or-die' dichotomy<sup>330</sup> has been motivated by two main reasons. First, the scientific quality of this piece of work, in the sense of its presenting an accurate account of the present 'state of the Mondragon cooperative experience' as I would call it. Second, their call for combining 'a paradox approach with power-aware and politically informed approaches'. This suggestion neatly connects with Anjel Errasti's earlier call for 'theorizing the degeneration thesis'<sup>331</sup>, a call triggering me to theorize the Mondragon experience 'beyond the degeneration thesis'. As elucidated in the first, theoretical part of this monograph, my claim is to offer an elaborated theoretical-analytical framework precisely grounded in a '*political philosophy of mind*' (Ratner's macro cultural psychology), encompassing a *critical conceptualizing of power* at different, dialectically, that is internal related levels, power in and behind organizations (e.g., Hartz) and power in and behind language (Fairclough). This theoretical perspective's key concept could be termed 'contradiction', or more precisely, 'contradictory unity', echoing Gramsci's 'philosophy of praxis'.

### **10.1 Is there life after degeneration? Mondragon's life under a 'grow-or-die' dichotomy**

In their just mentioned article, the Basque-Spanish researchers Carmen Marcuello, Anjel Errasti, and Ignacio Bretos presented the findings of an 'in-depth, longitudinal analysis combining real-time and retrospective data on a set of Mondragon's industrial cooperatives that are organized as international groups.' The authors examined the life cycle of these international cooperative groups, which is expected to evolve differently to that of small- and medium-sized cooperatives that operate exclusively on a local scale. Their article was theoretically informed by the cooperative life cycle theory, as well as by recent insights from the degeneration and regeneration theses.<sup>332</sup> Their analysis yielded 'an intricate picture of the evolution of cooperatives faced with a 'grow-or-die' dichotomy.' On the one hand, so the abstract, 'our findings reject the highly simplistic and deterministic view of the degeneration thesis by demonstrating that these cooperatives can mobilize resources to revitalize cooperative values and practices. On the other, we find that regeneration may not occur in a consistent, sequential fashion as the previous

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330 Ignacio Bretos, Anjel Errasti, and Carmen Marcuello, 'Is there life after degeneration? The organizational life cycle of cooperatives under a 'grow-or-die' dichotomy. In: *Annals of Public and Cooperative Economics*, October 2019, Vol. 91(3), pp. 1-26.

331 Errasti, A., *Mondragon's Chinese subsidiaries: Coopitalist multinationals in practice*. In: *Economic and Industrial Democracy* 2015, Vol. 36(3) 479-499.

332 See for this degeneration and regeneration thesis particularly the presentation of Ignacio Bretos at the Radboud University Nijmegen symposium, March 2017 as briefly outlined in this monograph, pp. 7-8.

literature suggests, but rather degenerative and regenerative tendencies can occur simultaneously, even leading to long-lasting, unresolvable situations.'(my emphasis).

'In light of this, the article asks future research to draw on power-aware and politically informed approaches for further understanding of how cooperatives manage the tensions at each organizational stage of their life cycle, and of which organizational actors benefit, and how, from reversing some degenerative tendencies while maintaining others intact.' (Bretos et al., 2019: 1).

Following my line of studying history 'backward', my review of the insightful work of these authors will focus on the most recent dates/periods in their overview of 'critical events in the development of Mondragon's international cooperative groups (Table 1, p. 9). That is, starting with the period 2015-present (2019), termed 'revival of the regeneration debate, but reshaped by both the MCC (Mondragon Cooperative Corporation) and its first-tier cooperatives, particularly regarding the cooperativization of subsidiaries', subsequently tracing back to the 1990-2000 decade, which is called 'Start of the international expansion of most of Mondragon's international cooperative groups. Intensification of economic and productive requirements. Escalation of various degenerative pressures and tensions.'

In Section 4.3 '*Design and development of regeneration initiatives (2005 onwards)*' the authors describe the developments they have observed. "After decades of tremendous growth that privileged managerial prerogatives and market orientation, between 2000 and 2002 various large Mondragon cooperatives, such as Fagor Ederlan, Maier and Copreci, initiated *ideological reflections about the core practices and values of the cooperative.*" (Bretos et al., 2019: 15, my emphasis).

"These internal reflections that arose almost simultaneously in several of Mondragon's most important cooperatives quickly translated to a broader debate. *In 2003 the Mondragon Cooperative Congress – made up of representatives from all the group's cooperatives – recognized a general decline in democratic control and the need to revitalize essential aspects of the Mondragon experience such as participation, inter-cooperation, cooperative training and education, and the role of cooperatives in promoting positive social change* (Azkarraga et al. 2012<sup>333</sup>, my emphasis). This Congress approved what was called the 'social expansion strategy', based on the extension of cooperative values to the capitalist subsidiaries via the development of worker participation mechanisms like those of the Basque cooperatives. Some of the crucial agreements reached about the subsidiaries were to encourage greater transparency in decision making, implement the

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333 Azkarraga, J., Cheney G. and Udaondo A., 2012, 'Workers participation in a globalized market: Reflections on and from Mondragon', in M. Atzeni (ed.), *Alternative Work Organizations*, New York: Palgrave Macmillan.

same participative management model as that applied in the cooperatives, aim for at least 30 per cent of worker ownership, and devote 1-5 per cent of profits to local developments in the territories where the subsidiaries are located (Flecha and Ngai 2014<sup>334</sup>). These issues are clearly highlighted in the MCC Corporate Management Model currently in force, which emphasizes three aspects of promoting democratic governance and participation in the cooperatives: self-management, communication, and corporate development (Mondragon 2013<sup>335</sup>. The first two of these, self-management, and communication, encompass both the cooperatives and their subsidiaries, whilst the third, corporate development, is fundamentally designed for the subsidiaries.” (Bretos et al., 2019: 16).

According to the authors, MCC’s corporate policies on regeneration have subsequently promoted the implementation of concrete initiatives by many cooperatives, including those of a smaller size that operate on a local scale. “However, at least in the largest international cooperative groups, regeneration does not tend to follow a detailed, transversal plan that covers all the dynamics and structures of the organizations; rather, *these regeneration processes overlap and intertwine simultaneously with degenerative tendencies in the cooperatives.*” (my emphasis).

At the constitutional level, some cooperatives have conducted regeneration projects aiming at transforming their domestic subsidiaries into cooperatives. Ignacio Bretos and Anjel Errasti have analyzed this kind of projects in detail.<sup>336</sup> In spite of these documented cases of regeneration, ‘various domestic subsidiaries of Ederlan, Maier and other MCC’s cooperatives still remain capitalist firms’.

The authors continue: “What is more, no Mondragon foreign subsidiary has been converted to a cooperative or comprehensively introduced the range of management and employment practices associated with the cooperative model. The reasons preventing the cooperativization of foreign plants are complex and varied (for a detailed analysis, see Flecha and Ngai 2014, Bretos et al., 2018, Bretos et al., 2019)”. The authors mention for instance legal, cultural, and organizational obstacles.

“Our research also found that regeneration in Mondragon has been strongly subordinated to the changing market conditions and the associated requirements imposed on the cooperatives. The political discourses of the late 1970s and early 1980s that focused on building more horizontal structures and reinforcing self-management were rapidly

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334 Flecha R. and Ngai P., 2014, ‘The challenge for Mondragon: Searching for the cooperative values in times of internationalization’, *Organization*, 21, 666-682.

335 Mondragon, 2013, *Corporate management model*, Arrasate-Mondragón: MCC.

336 See, for instance: Bretos I. and Errasti A., 2017, ‘Challenges and opportunities for the regeneration of multinational worker cooperatives: Lessons from the Mondragon corporation – a case study of the Fagor Ederlan Group’, *Organization*, 24, 154-173.

abandoned considering the new competitive and growth requirements imposed by the growing globalization of markets in the late 1980s and early 1990s (Taylor 1994<sup>337</sup>, Kasmir 1996<sup>338</sup>). Similarly, the regeneration discourse of the early 2000s lost momentum with the arrival of the economic crisis in 2008, which forced the cooperatives to focus on economic viability and survival. [It] seems that the regenerative discourse has changed substantially since the economic crisis. The markedly political content of the regeneration plans and discourses of the early 2000s has given way to a *businesslike rhetoric* (my emphasis) focused on what is called '*vivencia de los valores cooperativos*' (the lived experience of cooperative values), based on strengthening cooperative values as co-responsibility and commitment to enhancing cooperatives' economic viability (Mondragon 2016<sup>339</sup>). The authors demonstrate this shift where the transformation of capitalist subsidiaries is concerned by citing this interviewed manager:

"Our organizational model is clear: here in the Basque Country, we are cooperatives, but not elsewhere [...]. *Introducing the cooperative model abroad is no longer on the agenda* (my emphasis). A few years ago, this was a concern in many cooperatives, but it is no longer a matter of interest. *It arose from the ideological character of the past but did not translate into deeds anyway. [The cooperativization of foreign subsidiaries] was rather part of a discourse of belligerence and orthodoxy. This would lead nowhere nowadays [...].* (my emphasis)" (Bretos et al., 2019: 18).

In the final section '*Discussion*' of their article, the authors – being motivated by recent calls to empirically document the evolution of cooperatives and member-based organizations and shed light on the dynamics that cause them to degenerate and regenerate – contend that their analysis illustrates how the evolution of Mondragon's industrial cooperatives in a capitalist setting 'creates an intricate picture that contradicts the highly deterministic and simplistic degeneration thesis. "These cooperatives have thrived for decades in highly globalized and competitive markets while maintaining, at the very least, the essence of their democratic methods and governance structures in the Basque Country, as well as their contribution to job creation, economic development, and social cohesion in the local area.

"Our research reveals how cooperatives confronted with a '*grow-or-die*' dichotomy in global capitalist markets have to cope with unique constitutional, cultural, and organizational degenerative pressures which are substantially different from those faced by small cooperatives operating exclusively in the domestic market." In contrast to those

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337 Taylor, P.L., 1994, '*The Rhetorical Construction of Efficiency: Restructuring and Industrial Democracy in Mondragon, Spain*', *Sociological Forum*, 9, 459-489.

338 Kasmir, S., 1996, *The Myth of Mondragon: Cooperatives, Politics, and Working-Class Life in a Basque Town*, Albany: State University of New York Press.

339 Mondragon, 2016, *Política Socioempresarial 2017-2020*. Internal document, MCC.

small cooperatives, regeneration is much more complex 'due to their large organizational dimension, the severe economic pressures imposed by competing in global markets, and the fact that they operate across institutionally and culturally distant countries, which hampers growth following the cooperative formula and essence (Bretos et al., 2019<sup>340</sup>).

As demonstrated by Bretos and Errasti<sup>341</sup>, international growth can transform cooperatives into 'coopitalist' hybrids composed of a cooperative nucleus (parent company) and a capitalist periphery (subsidiaries) in which non-owner workers are deprived of the rights and benefits of cooperative membership. According to these authors 'to meet global market requirements, cooperatives may be compelled to put greater power into the hands of technocratic management at the expense of workers' control and rank-and-file participation, leading to the consolidation of oligarchic trends. At Mondragon this tendency has been boosted by the introduction of dominant regimes of managerialism in the form of mainstream models of TQM (Total Quality Management) and lean manufacturing (Cheney 2002<sup>342</sup>), which have promoted shallow, manager-driven forms of participation that are confined to the work area and assessed in terms of productivity. Lastly, the prevalence of conventional business objectives can displace socially oriented goals and reshape cooperative practices in line with management priorities. Participation and self-management seem to have lost some of the political content of yesteryear in favor of job stability for worker-members.'

The analysis of Bretos, Errasti and Marcuello demonstrates that, *cooperatives are not passive actors* (my emphasis) 'completely subject to isomorphic pressures that will sooner or later inevitably lead them to stagnate in a state of inaction or become capitalist organizations, as degeneration theory would suggest' (Webb and Webb, 1921<sup>343</sup>; Meister, 1984<sup>344</sup>). They can mobilize resources and activate processes of organizational change to *revitalize cooperative values and practices* (my emphasis). However, the authors' findings do not fit well with 'the prevalent view of regeneration as a consistent homogeneous process that pervades all organizational spheres and takes place in a sequential fashion after degeneration, deactivating all its consequences (e.g., Batstone 1983, Rosner

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340 Bretos I., Errasti A. and Marcuello C., 2019, 'Multinational expansion of worker cooperatives and their employment practices: Markets, institutions, and politics in Mondragon', *ILR Review*, 72, 580-605.

341 Bretos, I. and Errasti, A., 2018, 'The challenges of managing across borders in worker cooperatives: Insights from the Mondragon cooperative group', in: *Journal of Co-operative Organization and Management*, 6, 34-42.

342 Cheney, G., 2002, *Values at Work: Employee Participation Meets Market Pressure at Mondragon*, Ithaca, NY: Cornell University Press.

343 Webb S. and Webb B., 1921, *The Consumers' Co-operative Movement*, London: Longmans.

344 Meister, A., 1984, *Participation, Associations, Development, and Change*, New Brunswick: Transaction Books.

1984). According to the evidence they gathered in their analysis, 'degeneration and regeneration are not mutually exclusive and can occur simultaneously. Moreover, their analysis *'uncovers how this conflictual situation (that is, degenerative and regenerative forces coexisting, HW) can remain permanently unresolved.'* (emphasis mine). This permanent overlap of degenerative and regenerative tendencies is sustained, so the authors continue, at least partially, by the fact that regeneration does not appear to be a 'consistent process but is rather contingent on changing market conditions and the associated requirements imposed on cooperatives. They point at discussions at Mondragon in the 1980s about reorganizing work to foster substantial self-management being pushed into the background in the early 1990s 'due to the escalation of globalization pressures'.

'What is more, it seems that in recent years MCC's technostructure has invested significant effort in remodeling the regenerative discourse, *emptying it of its political content and adapting it to managerial prerogatives* (my emphasis); therefore, it will be important to follow how regeneration discourse and practices evolve over the next few years.' (Bretos et al. 2019: 20-21).

This picture of their analysis appears consistent with the *paradoxical perspective* proposed by some authors to explain the concomitant existence of degenerative and regenerative tendencies (e.g., Hernandez 2006<sup>345</sup>, Story et al. 2014<sup>346</sup>). In this view, tensions and internal contradictions are understood as a natural state of affairs since cooperatives 'are neither fully democratic nor oligarchic but sites of continuous and unresolved contestation between oligarchic and democratic tensions' (Storey et al. 2014: 641).

"While we concur, it is equally evident that this perspective neglects political questions about regeneration in cooperatives. Why have Mondragon cooperatives cooperativized some of their domestic subsidiaries while others have remained capitalistic in form and essence, both at home and abroad? A partial response lies in the institutional and cultural differences between the Basque Country and other national divides, which may translate into perennial and unresolvable tensions for Mondragon, since, following the paradox approach, cooperatives permanently have to cope with 'internal contradictions that do not necessarily lead to resolution, but rather, are everlasting' (Hernandez 2006: 108). However, we also need to consider the fact that this global labor hierarchy is essential for Mondragon worker-members to safeguard their interests and maintain their decision-

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345 Hernandez, S., 2006, 'Striving for control: Democracy and oligarchy at a Mexican cooperative', *Economic and Industrial Democracy*, 27, 105-135.

346 Storey J., Basterretxea I., and Salaman G., 2014, 'Managing and resisting 'degeneration' in employee-owned businesses: A comparative study of two large retailers in Spain and the United Kingdom', *Organization*, 21, 626-644.

making power (Bretos et al. 2019<sup>347</sup>). As Kasmir (2016<sup>348</sup> : 55) succinctly points out, ‘job security, decent pay, and workplace democracy in the Basque Country rest upon poorly paid and insecure wage labor elsewhere’. *This suggests that cooperatives might regenerate only certain aspects of cooperative organizational life while maintaining other degenerative tendencies intentionally unaltered so that they can continue exploiting the resources and possibilities offered by a capitalist market economy.*” (my emphasis).

***The authors conclude their ‘discussion’ as follows:***

“In light of these critical questions, future studies might explore the links between regenerative strategies and political questions. In broader terms, combining a paradox approach with power-aware and politically informed approaches could be useful to further understand how cooperatives manage tensions and internal contradictions at each organizational stage of the life cycle, and which organizational actors benefit, and how, from reversing some degenerative tendencies while maintaining others intact.”

Considering this call for ‘power-aware and politically-informed approaches’ to be a valuable refinement and extension of Anjel Errasti’s earlier call to ‘place the current transformation of Mondragon cooperatives more firmly within the theoretical framework known as the ‘degeneration thesis’<sup>349</sup>, and referring to my taking up this call in the form of this doctoral thesis on the theorizing of the Mondragon cooperative experience beyond the degeneration thesis, I claim to offer precisely such a power-aware and above all politically-informed approach. As outlined in the theoretical Part One of this monograph, my approach is grounded in Carl Ratner’s ‘macro cultural psychology’, a *political* philosophy of mind, which I have extended and refined to apply to the ‘case’ of the Mondragon cooperative experience.

Viewed from the theoretical, *critical* perspective of this monograph, the research of these scholars confirms Carl Ratner’s ‘original sin thesis’. In his presentation for the mini symposium at Radboud University Nijmegen, he criticized the ‘degeneration thesis’ for its a-historical and uncritical approach to the *original* contradictions and inconsistencies of Mondragon’s cooperative philosophy and practice. Ignacio Bretos and his colleagues rightly conclude the ‘degeneration thesis’ being ‘simplistic and deterministic’. But their theoretical approach regarding the degeneration and regeneration processes impedes to answer the key ‘power-aware and political’ question: *why* seems to be the

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347 Bretos I., Errasti A., and Marcuello C., 2019, ‘Multinational expansion of worker cooperatives and their employment practices: Markets, institutions, and politics in Mondragon’, *ILR Review*, 72, 580-605.

348 Kasmir S., 2016, ‘The Mondragon cooperatives and global capitalism: A critical analysis’, *New Labor Forum*, 25, 52-59.

349 Errasti, A., 2015, ‘Mondragon’s Chinese subsidiaries: Coopitalist multinationals in practice’, *Economic and Industrial Democracy*, Vol. 36(3), p. 495.

antagonistic 'labor hierarchy' and the related difference in decision-making power between the 'cooperative core' and 'capitalist' fringe (subsidiaries) *permanent and unresolvable*? By referring to Sharryn Kasmir's analysis of Mondragon's 'global labor hierarchy' being 'necessary for Mondragon worker-members to safeguard their interests and maintain their decision-making power' (in her 'The Myth of Mondragon'<sup>350</sup>) the authors acknowledge the problematic social relations at the heart of the organizational kernel of the Mondragon experience: the 'coopitalist corporation Mondragon-style'. Unfortunately, their own approach lacks a heuristic device that could possibly answer this crucial question. Basically taking at face value Mondragon's founding father's cooperative philosophy, thereby leaving this conceptual framework and related strategy unresearched, let alone critically reflected upon, they reproduce the ideas and practices of "the ideologue of the Mondragon Cooperative Experience" as the authors call him. Most succinctly, this reproduction is revealed if we look at the resemblance of the researchers' approach to the alleged 'a-political and neutral' positions of father Arizmendiarieta. As Joxe Azurmendi, in his classic volume "El Hombre Cooperativo"<sup>351</sup> on the thoughts of Mondragon's founding father concluded: "Here, we can demonstrate that, in Arizmendiarieta's reflections, *the political aspects will be the most neglected and least developed (my emphasis)*. On political topics, he will always appear shy." (Azurmendi 1984: 123). In a remarkably similar way, the Basque academics largely ignore the political and historical dimensions of their object of research. They don't relate the present problems, tensions, and contradictions to the underlying ideational content, other than referring in general, abstract terms to the 'basic values such as solidarity, hope and sacrifice, and on the notion that all of the workers were partners, financiers and co-owners of the company' (citing Molina, 2012<sup>352</sup>). In fact, this approach means that the ideational and strategic foundations of the Mondragon experience remain unresearched. In taking Arizmendiarieta's ideas (or, in their own words, ideology) for granted, they remain 'in the prison of Arizmendiarieta's ideas', to paraphrase Dave Renton in his book "Fascism, theory and practice"<sup>353</sup>. As this expert on fascism studies writes: "When writing about any political ideology, the historian is obliged to be critical. It would be a mistake to take the language of political figures at face value. *The formal pronouncements of any leaders should be weighed against their practice (my emphasis)*. It is not enough to assume that because a politician used words like 'freedom' or 'democracy', that these terms were meant in the way a different audience might understand them. Applied to this case of Mondragon co-ops and its founding father Arizmendiarieta, it is not enough to assume

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- 350 Kasmir S., 1996, *The Myth of Mondragon: Cooperatives, Politics, and Working-Class Life in a Basque Town*, Albany: State University of New York Press.
- 351 Azurmendi, J., 1984, *El Hombre Cooperativo. Pensamientos de Arizmendiarieta. Caja Laboral Popular, Lan Kide Aurrezkia*.
- 352 Molina F., 'Fagor Electrodomésticos: The multinationalisation of a Basque cooperative, 1955-2010', *Business History*, 54, 945-963.
- 353 Renton, D., 1999, *Fascism, Theory and Practice*. London, Sterling, Virginia: Pluto Press.

because Mondragon's founder used the words 'solidarity' and 'democracy' being the key 'constantes' of his cooperative 'movement', that these terms actually reflected the reality. I will argue they did not. Moreover, the authors, while using the term 'ideologue' or 'ideology', they don't address this important topic, let alone providing a well-thought through theoretical perspective on the admittedly contested concept of 'ideology'. In this monograph drawing on the PIT-research regarding a Marxist inspired theory of ideology, notably as developed (in collaboration with a group of other researchers) by the German scholar Jan Rehmann, his theorizing ideology(critique) will be applied to my critical assessment of the Mondragon cooperative experience.

There is a need to analyze all ideologies critically, and this is especially true of fascism, a political tradition which from its inception set out to kill millions. Indeed, how can a historian, in all conscience, approach the study of fascism with neutrality?" (Renton 1999: 18). To avoid any possible misunderstanding: this quote is used to elucidate Renton's vision on any historian's obligation to critically analyze every ideology. In this case Mondragon's ideology, certainly not to conflate with a fascist ideology. But, as my assessment of the compatibility between Franco's labor regulations and the social doctrine of the Catholic Church in Spain at that time will show, there are 'uneasy' commonalities we have to consider. Following the eminent historian Paul Preston ('the world's foremost historian of twentieth-century Spain') 'a *process of recovery of historical memory*' is urgently needed in Spain in order to 'look upon its recent violent past in an open and honest way that could facilitate the necessary social and political closure'.<sup>354</sup> In my view, this recovery of historical memory is also needed to cope with some 'uneasy' or maybe even 'disturbing' elements in Mondragon's (cooperative) history. I will return on this issue below.

Moreover, in taking for granted Mondragon's ideology, the authors don't question the obvious disconnection between Arizmendiarieta's 'talk' and 'walk' during his lifetime in Mondragon, co-inciding with Franco's dictatorial regime. In contrast to their neglect of the historical, political-economic and (macro)cultural context of Mondragon's genesis and development in its first decades, my critical approach attempts to *theorize and historicize* Arizmendiarieta's cooperative imaginary. To the credit of the authors, it must be said they acknowledge the limitations of a non-political and non-power aware approach but stop short at recognizing the full implications of the inherently *political* character of the analysis of social and political processes like in this particular case of the Mondragon experience. In other words, their proposal to combine 'a paradox approach with power-aware and politically informed approaches' undoubtedly would improve the theoretical-methodological underpinnings of researching the Mondragon experience, but unfortunately only a limited improvement. The reasons for this, I would argue, are their keeping confined to the 'stagiest' theory of the organizational life cycle, being a basically

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354 Preston, P., 2013, *The Spanish Holocaust, Inquisition and Extermination in Twentieth-Century Spain*, London: Harper Press.

*trans-historical* and universal approach, thereby incorporating the spatio-temporal dimension of social and political processes in a problematic way. For instance, such a trans-historical approach overlooks Jon Sarasua's observation that the tension between Mondragon's two 'logics' existed already from the outset, speaking about the 'difficult equilibrium'.<sup>355</sup> Their proposal remains vague and unprecise regarding the meaning of 'power-aware' and 'politically informed'. The authors neither theorize 'ideology', nor 'power' in a broad sense<sup>356</sup>. Regarding the latter topic, broadening the perspective to the 'power-knowledge' (Foucault<sup>357</sup>) and 'power-money' (Mandel<sup>358</sup>) nexus would have opened fruitful explanatory avenues. In my view this limits the explanatory force of their argument. Different from their 'paradox approach', my elaborated theoretical framework offers avenues to unpack the highly complex relationships between structure and agency and provides crucial insights into the analysis of political power and political change, thereby exhibiting a particular sensitivity to the role of ideas (ideational factors, or in terms of Ratner's macro cultural psychology: cultural concepts) in the understanding of Mondragon's *political-economic-cultural-psychological* dynamics.

## **10.2 Managerial discourse as a symptom of 'goal degeneration'? An analysis of the managerial discourse of Mondragon cooperatives**

In order to obtain an accurate and encompassing picture of the present challenges and problems the Mondragon co-ops are facing, the fairly 'thick description' of actual processes regarding degeneration and/or regeneration of Mondragon's 'coopitalist' multinationals offered by Bretos et al. will now be supplemented by the research of two Basque scholars, Iñaki Heras-Saizarbitoria and Imanol Basterretxea, regarding the 'goal degeneration' by analyzing the managerial discourse of Mondragon cooperatives.<sup>359</sup> These authors point at the work of a number of researchers who have been criticizing, among other issues, lack of substantive democratic participation, lack of self-management and participation and particularly the rise of dominant or prevailing

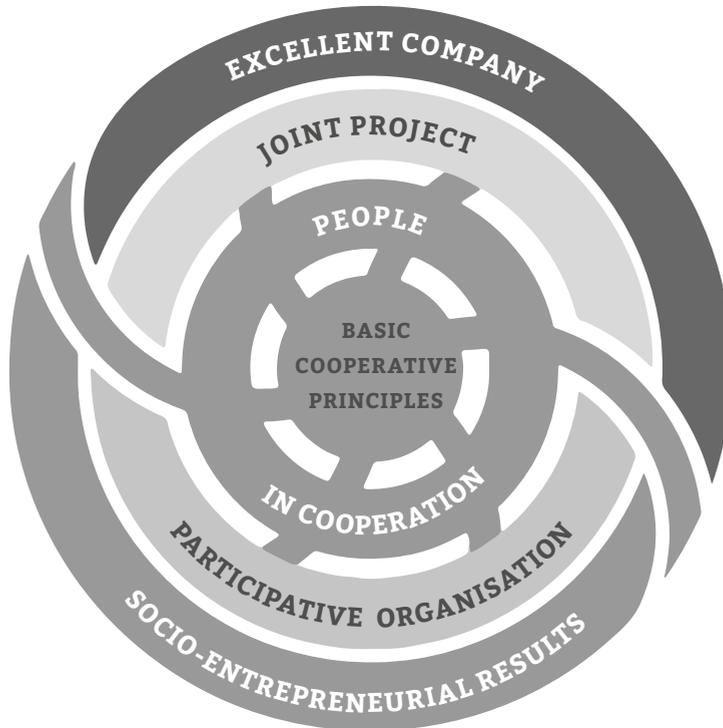
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- 355 Sarasua, J., 2010. *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa. Cuadernos de Lanki* (3). Eskoriatza.
- 356 Hay, C., 2002. *Political Analysis. A Critical Introduction. Ch. 5: Divided by a Common Language? Conceptualising Power*. London: PalgraveMacmillan.
- 357 Foucault, M., 1977. *Power/Knowledge. Selected Interviews and Other Writings 1972-1977*. Ed. by Colin Gordon. New York: Pantheon Books.
- 358 Mandel, E., 1992. *Power and Money. A Marxist Theory of Bureaucracy*. London-New York: Verso.
- 359 Iñaki Heras-Saizarbitoria and Imanol Basterretxea, 2016, 'Do co-ops speak the managerial lingua franca? An analysis of the managerial discourse of Mondragon cooperatives. *Journal of Co-operative Organization and Management*, Vol 4, 13-21.

‘managerialism’ Levy, Alvesson, & Willmott, 2003<sup>360</sup>, Cheney, 1999<sup>361</sup>, 2005<sup>362</sup>; García-Insausti, 2003<sup>363</sup>; Sarasua, 2010<sup>364</sup>; Heras-Saizarbitoria, 2014<sup>365</sup>). Regarding the issue of prevailing managerialism, notably Jon Sarasua (2010) has stressed that the managers of cooperative organizations have adopted conventional managerial discourse, ‘and we would add, the restrictive environment by managerialism (Baines et al., 2011). These moves toward conventional managerialism may also have influenced the decay of the Mondragon experience, although these issues have been under-researched (Heras-Saizarbitoria and Basterretxea 2016: 14). Referring to publications of researchers like Paton (2003<sup>366</sup>), and Roper and Cheney (2005<sup>367</sup>), authors emphasizing, from a theoretical perspective (i.e., *not empirically evidenced (my emphasis)*, that cooperative organizations and other forms of organization in the social economy operate in a different world of language and meaning than the conventional managerial discourse. ‘Similarly, for the specific case of Mondragon, Sarasua (2010<sup>368</sup>) stressed, *also without any empirical evidence (my emphasis)*, that the impact of challenges from the business environment and the limited development of the ideological and socio-educational dimension in Mondragon have created a space where, “*The vocabulary and imagery of cooperative managers have slipped towards a set of more conventional managerial parameters*”. Sarasua also emphasizes that, “*The assumption by cooperative leaders of languages, symbols and formulations emanating from the capitalistic corporate literature somehow denotes a sort of ‘surrender to the evidence’*” (Sarasua, 2010: 3).

In view of this lack of empirical evidence, “Therefore, the present study makes an exploratory and interpretive contribution, analyzing the managerial discourse of the organizations

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- 360 Levy, D.L., Alvesson, M., & Willmott, H., 2003, *Critical approaches to strategic management. Studying Management Critically*, 14, 92-110.
- 361 Cheney, G., 1999, *Values at work: employee participation meets market pressure at Mondragon*. Ithaca, New York: Cornell University Press.
- 362 *Ibid.*, 2005, *Democracy at work within the market: reconsidering the potential*. *Research in the Sociology of Work*, 16, 179-203.
- 363 García-Insausti, O., 2003, *Partehartzea Enpresan: Begiratu Historikoa, Begiratu Kritikoa Eta Lankidetzaren Begiratu*. Eskoriatza (Spain): Lanki Ikertegia Unibertsitatea.
- 364 Sarasua, J., 2010, *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa*. Eskoriatza, Spain: Lanki Ikertegia.
- 365 Heras-Saizarbitoria, I., 2014, *The ties that bind? Exploring the basic principles of worker-owned organizations in practice*. *Organization*, 21, 645-665.
- 366 Paton, R., 2003, *Managing and measuring social enterprises*. Thousand Oaks: Sage Publications.
- 367 Roper, J., & Cheney, G., 2005, *The meaning of social entrepreneurship today*. *Corporate Governance*, 5, 95-104.
- 368 Sarasua, J., 2010, *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa*. Eskoriatza, Spain: Lanki Ikertegia.

within the Mondragon experience, in order to detect any possible disconnect between that discourse and the basic cooperative principles and values of Mondragon. To that end, the work will focus on an in-depth analysis of the corporate/organizational information that those organizations give their stakeholders". (Heras & Basterretxea 2016: 14).



**Figure 1** The new corporate management model of Mondragon.

***Mondragon's Basic Cooperative Principles and a new corporate management model. Towards a new discourse?***

In their 'Research findings' the authors focus on the new Corporate Management Model (CMM) of Mondragon, being defined as a result of the in-depth process of reflection and debate entitled 'Reflection on the Meaning and Future Directions of the Cooperative Experience' (RFCE), a 'landmark event in the Mondragon Cooperative Experience's history'<sup>369</sup> as Azkarraga et al. call it. This 'debate about ideas' (Azkarraga 2012: 82), organized in 2005 and 2006 and finalized in 2007 resulted in a proposal to define a new

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369 Joseba Azkarraga Etxagibel, George Cheney and Ainara Udaondo, 2012, *Workers' Participation in a Globalized Market: Reflections on and from Mondragon*, in: *Alternative Work Organizations* (Ed. Maurizio Atzeni), p. 82. Palgrave Macmillan.

corporate management model “more consistent with Mondragon’s culture”<sup>370</sup> As a result, the discourse of Mondragon Corporation changed so that it placed more emphasis on its distinctive cooperative aspects. ‘More recently, in 2012, a strategic analysis was made in the framework of the 2013-2016 Corporate Business Policy, and, as a result, new corporate statements and a new Corporate Management Model (CMM) were defined. In the present study we focus on this most recent development of the statements and programs of Mondragon Corporation. The need to define a new CMM was explicitly linked to the need to “foster the development of business management dynamics consistent with the Basic Cooperative Principles. The need “to make our cooperative management style a mark of identity that generates a feeling of belonging, paving the way for intercooperation and helping to optimize synergies at corporate level” was recognized. This is a general management model developed by the Corporation that establishes a general set of statements and guidelines that the cooperative organizations grouped in the Mondragon experience should adopt, after adapting it to their specific context. (Heras-Saizarbitoria & Basterretxea 2016: 16).

For Agirre, Reinares, and Freundlich (2014<sup>371</sup>), Mondragon established this model to foster the development of business management dynamics that are consistent with its basic cooperative principles and to help increase the cooperatives’ business competitiveness and social objectives. The documents that describe the new CMM of Mondragon are ‘very explicit with regards to the distinctive cooperative discourse. The Basic Cooperative Principles being at the heart of the proposed model provide the members of cooperatives with procedural guidelines for implementing the cooperative’s values. The authors stress that in the many statements, programs, and other corporate documents ‘an important pedagogical effort’ is made to explain the nature and essence of the ten Basic Cooperative Principles that are at the core of the model. “Nevertheless, as will be seen, the case is more complex and heterogeneous in the case of the cooperative organizations analyzed.”

The evidence, presented in this article, clearly shows that ‘the organizational rhetoric of the majority of Mondragon cooperatives is dominated by the conventional managerial *lingua franca*.’ Moreover, ‘the discursive topic that is dominant in most of the analyzed mission statements or similar documents of the cooperatives is in line with a certain type of rhetoric of success and excellence in the tradition of the Total Quality Management and Business Excellence literature. In this sense, one of the first factors that is generally highlighted by the cooperative organizations is the focus on the external customer as the *raison d’être* of the organization.’

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370 Mondragon, 2013. *Corporate Profile 2012*.

371 Agirre, I., Reinares, P., & Freundlich, F., 2014, *Does a democratic management model enhance performance through market orientation? Empirical evidence from the Mondragon industrial group. Review of Radical Political Economics*.

The authors write: "As Table 1 makes clear, the majority of cooperative organizations of Mondragon do not mention their relationship to such elementary cooperative principles as organizational democracy. There is evidence of a disjunction between the managerial discourse proposed by the Corporation and the discourse adopted by the member cooperative organizations of Mondragon Cooperative organization." (Heras-Saizarbitoria & Basterretxea 2016: 18).

Another point in case is their finding that 'in the information analyzed, conventional reference to the customer, continuous improvement and excellence is omnipresent'. Still another ubiquitous idea is 'a faith in the robustness of the cooperative group, underlining the strength derived from belonging to an international consolidated business group,' but with no mention of the cooperative nature of either the organization or the general Mondragon experience. (my emphasis).'

The size and strength of Mondragon is one of the ideas that is more frequently underlined but with a 'business as usual' perspective, with no reference to the foundational principles regarding this issue, such as the principle of inter-cooperation. (my emphasis).

A conventional discourse on human resource management policy can also be identified. Here the statements frequently point to the key role that people play in the organizations. In this factor the relationship with the discourse of TQM and Excellence is also dominant, as one of the main statements of Fagor Arrasate makes clear: "The key to success of Fagor Arrasate is its staff, the greatest asset of the company. A specialized group of people, forming the heart of the company, persistently pursuing continuous improvement and excellence."

'Similarly, broad reference to one of the booming managerial terms of the local environment of Mondragon, namely the new managerial paradigm of innovation, arises in the discourses, seemingly replacing the earlier, and overloaded, paradigm of quality (Heras et al., 2008<sup>372</sup>). ISEA Cooperative claims in its mission statement that its ultimate organizational aim "is to improve competitiveness of the sector of Business Services by empowering Technological Development, Innovation and Entrepreneurship of new business activities". Similarly, ULMA Group of Cooperatives stresses the importance of 'turning its knowledge into value and operating networks to carry the seed to help disseminate new learning and knowledge'.

'In summary, in general terms the managerial *lingua franca* is dominant in the information analyzed, while the cooperative nature of the group and the organizations is somehow concealed.'

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372 Heras, I., (Ed.), Arana, G., Camisón, C., 2008, *Gestión de la calidad y competitividad de las em presas de la CAPV*. Bilbao: Publicaciones de la Universidad de Deusto.

Statements mentioning the nature and roots of the Mondragon cooperative experience, omnipresent in the discourse of the Corporation, form the exception to the rule in the rhetoric of the cooperatives themselves. (Heras & Basterretxea 2016: 19).

In section 'Discussion and conclusions' of their article the authors point at the incompatibility with many previous observations, 'such as that of Paton (2003<sup>373</sup>), who stresses that cooperative organizations and other forms of organizations of the social economy operate in a *different world of language and meaning than the conventional managerial discourse (my emphasis)*. As underlined by Roper and Cheney (2005<sup>374</sup>) in the case of social entrepreneurship, cooperative organizations, and other forms of alternative organizations (Trethewey and Ashcraft, 2004<sup>375</sup>), language is a key component in the shift towards rationalization, as *discourse acceptance precedes or runs in parallel with material acceptance. Thus, if the colonization of the social economy field by the language of business is accepted, the breakdown of barriers between the sectors becomes normalized (Roper and Cheney, 2005), (my emphasis)*.

'Similarly, in the analysis it was evidenced that cooperative organizations camouflage the presence of their supposed foundational values and principles, as they might produce a negative impression on some of the stakeholders, such as potential business partners and financial intermediaries. Moreover, a clear disconnection between the managerial discourse proposed by the Corporation and the discourses adopted by the member cooperative organizations of Mondragon is found.'

According to the authors, these conclusions 'also have implications of a more practical nature for the management of co-operative organizations. Nearly two decades ago, when the mentioned vulnerability was in its infancy in the region where Mondragon flourished, Kasmir (1999<sup>376</sup>), by critically reading the way Mondragon is constructed in popular and scholarly literature, claimed that this alternative experience was a revealing case of the production of global capitalist discourses in a period of economic and ideological shifts to post-Fordism. Therefore, keeping these ideas in mind, the promotion of a specific managerial language or discourse, as well as other managerial initiatives to ensure the embeddedness of the basic principles and values of the cooperative organizations, seems

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373 Paton, R., 2003, *Managing and measuring social enterprises*. Thousand Oaks: Sage Publications.

374 Roper, J., & Cheney, G., 2005, *The meanings of social entrepreneurship today*. *Corporate Governance*, 5, 95-104.

375 Trethewey, A., & Ashcraft, K.L., 2004. *Organized Irrationality? Coping with paradox, contradiction, and irony in organizational communication*. *Journal of Applied Communication Research*, 32, 1-4.

376 Kasmir, S., 1999. *The Mondragon model as post-Fordist discourse: considerations on the production of post-Fordism*. *Critique of Anthropology*, 19, 379-400.

to be of crucial importance in the regeneration efforts to maintain a project involving an alternative organizational form and efforts to create more democratic workplaces in practice (Heras-Saizarbitoria, 2014<sup>377</sup>).

### *Limitations and directions for future research.*

The authors conclude their article by pointing at several limitations of their research. First, 'although meaning oriented content analysis and critical discourse analysis are extensively used in management and business economics, their analysis is subjective and can be controversial (Neuendorf, 2002<sup>378</sup>). Second, the analysis carried out is not dynamic but static, especially in the case of the cooperative organizations as just the statements of a specific period were analyzed.'

Notably this last-mentioned limitation – its static character – provides according to Heras and Basterretxea 'a direction for future research, where analysis could be designed to shed light on *the evolution of the discourse (emphasis mine)* of the cooperative organizations that are members of Mondragon.'

To overcome the 'static' approach as acknowledged by the authors, in this monograph I adopt a refined and extended macro cultural psychological approach to the Mondragon experience. A different approach, drawing on an alternative method of historical research, called 'periodization', emphasizing relations of power and political relations, and above all focused on change. So, contrary to a static approach, or, described by Colin Hay as a 'synchronic or 'snapshot' approach, 'the simplest and arguably the most problematic approach to the analysis of political change'<sup>379</sup>. As outlined in the theoretical Part One of the monograph in this methodology of periodization, such periodization must be preceded by theoretical and empirical analysis. Employing this method of studying Mondragon's history 'backward', I will make use of the valuable insights offered by 'mainstream' research, like presented in this article of Iñaki Heras and Imanol Basterretxea. Concretely, their *empirical* work on the managerial discourse of Mondragon cooperatives enables me to construct my 'periodization', that is, *theoretically informed* historiography, of the Mondragon experience.

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377 Heras-Saizarbitoria, I., 2014. *The ties that bind? Exploring the basic principles of worker-owned organizations in practice*. *Organization*, 21, 645-665.

378 Neuendorf, K.A., 2002. *The content analysis guidebook*. Thousand Oaks, CA: Sage Publications.

379 Hay, C., 2002. *Political Analysis. A Critical Introduction*. Basingstoke, New York: Palgrave Macmillan, p. 144,145.

***Managerial discourse and Mondragon's 'goal degeneration'. Empirical evidence.***

The authors focused their empirical research on the so called 'goal degeneration' of Mondragon cooperatives. Let me briefly summarize the evidence they provide.

First, they provide evidence that 'the organizational rhetoric of the majority of Mondragon cooperatives is dominated by the conventional managerial *lingua franca*'. Moreover, Mondragon cooperatives' rhetoric is in line with 'a certain type of *rhetoric of success and excellence* in the tradition of the Total Quality Management and Business Excellence literature'. Another discursive topic is the *focus on the external customer* as the *raison d'être* of the organization. The authors show that 'the majority of cooperative organizations of Mondragon *do not mention their relationship to such elementary cooperative principles as organizational democracy*. There is evidence of a disjunction between the managerial discourse proposed by the Corporation and the discourse adopted by the member cooperative organizations of Mondragon Cooperative Organization'. The size and strength of Mondragon is one of the ideas more frequently underlined but with a 'business as usual' perspective, with no reference to the foundational principles regarding this issue, such as the principle of inter-cooperation.

All in all, we might conclude from these findings that they provide empirical evidence for a process of 'goal degeneration' of Mondragon cooperatives, after having investigated the managerial discourse of these corporations. While their research focused on this element of 'degeneration', they point at 'many other researchers have found evidences of other kinds of cooperative degeneration (mainly the tendency to employ non-members) since the early 1990s (Bakaikoa et al., 2004<sup>380</sup>; Cheney, 1999<sup>381</sup>; Errasti et al., 2003<sup>382</sup>; Kasmir, 1996<sup>383</sup>; Storey et al., 2014<sup>384</sup>).

*In view of this abundant empirical evidence provided for the goal and other 'degeneration' processes within the Mondragon cooperatives, there is a striking absence of in-depth*

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380 Bakaikoa, B., Errasti, A., & Begiristain, A., 2004. Governance of the Mondragon corporaci3n cooperativa. *Annals of Public and Cooperative Economics*, 75, 61-87.

381 Cheney, G., 1999. *Values at work: employee participation meets market pressure at Mondragon*. Ithaca, New York: Cornell University Press.

382 Errasti, A., Heras, I., Bakaikoa, B., & Elgoibar, P., 2003. The internationalisation of Cooperatives: The Case of the Mondragon Cooperative Corporation. *Annals of Public & Cooperative Economics*, 74, 553-584.

383 Kasmir, S., 1996. *The Myth of Mondragon: cooperatives, politics, and working-class life in a Basque Town*. New York: SUNY Press.

384 Storey, J., Basterretxea, I., & Salaman, J., 2014. Managing and resisting 'degeneration' in employee-owned businesses: a comparative study of two large retailers in Spain and the UK. *Organization*, 21, 626-644.

*theorizing and historicizing the root causes of these processes, researchers tracing back the original ideological contradictions emerging from the outset in the 1940s and 50s. I would argue this absence due to a lack of an ideology-critical analysis of Arizmendiarieta's foundational conceptual framework and collaborative practice during the Franco era. Such critical approach could challenge the conventional wisdom of these degenerative processes really happening, or in other words, challenge the implicit idea that 'Mondragon' has developed -unfortunately, for some inevitably- from a 'good' start to a more or less 'bad' present.*

The authors conclude their article pointing at 'beyond the critical study of the persuasive use of the mainstream managerial discourse – or, in other words, the managerial *lingua franca* -, lies the promising research field of the practical implications of that discourse for action. As Brunsson (1989<sup>385</sup>) emphasized, the significant divergences between 'talk', 'decisions' and 'actions' are often the norm, albeit an unwritten convention, in the organizational life.' This aspect of the practical implications of language use constitutes an important element of the strategic-relational and ideational approach as outlined in the theoretical part of this monograph.

Before addressing the divergences between the formal policies and accompanied *discourse* of Mondragon cooperatives and the daily lived *practices* of notably the rank-and-file workers (in discussing the article '*The ties that bind?* Exploring the basic principles of worker-owned organizations in practice' of Iñaki Heras-Saizarbitoria (2014), I will turn to the topic of the demise of Mondragon's flagship Fagor Electrodomésticos S. Coop. in 2013.

### **10.3 The bankruptcy of Fagor Electrodomésticos: the role of Mondragon's cooperative model and corporate governance reconsidered**

This 'landmark event' in Mondragon's recent history will be assessed by using Marx's method of 'periodization', focusing on concepts like 'preconditions and results', adopting this *dynamic* approach in which it is a matter of *becoming* a precondition and *becoming* a result. A way of researching history dynamically and *organically* as well (each process taking place in and through the other). Concretely applied to the Mondragon case, the event of Fagor's bankruptcy will be conceptualized as something existing in its present form to be proceeded from its present form, backward through its necessary preconditions. To demonstrate the explanatory force of this 'periodization' the work of three researchers (Basterretxea, Cornforth and Heras) on '*corporate governance as a*

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385 The authors are referring to a book by Nils Brunsson with the significant title: '*The Organization of Hypocrisy: Talk, Decisions and Actions in Organizations*' (1989).

key aspect in the failure of worker cooperatives' (2020<sup>386</sup>) will be used as a fruitful point of reference for my approach of the Mondragon experience.

### *Conflicting views on the cause of closure: deterministic and voluntaristic perspectives.*

According to these authors, the bankruptcy of Mondragon's flagship Fagor Electrodomésticos S. Coop. (FED) has attracted scholarly attention (e.g., Alzola et al. 2015<sup>387</sup>; Errasti et al. 2017<sup>388</sup>; Arando and Bengoa, 2018<sup>389</sup>; Bretos et al., 2018; Basterretxea et al., 2019<sup>390</sup>). Yet, 'these studies have focused predominantly on external factors(my emphasis), largely ignoring how those responsible for governance of the cooperative attempted to deal with these problems.

In their article the authors, while not denying the importance of external factors, try 'to understand the potential challenges of the worker cooperative model, shedding light on how FED's cooperative model and governance contributed to the firm's bankruptcy. Special emphasis is placed on analyzing how the cooperative model influenced *the speed of decision making and the adoption of painful decisions (my emphasis).*

'To a great extent' so the authors argue, 'the deterministic perspective has guided many of the analyses of academics trying to explain FED's demise (Alzola et al. 2015; Errasti et al. 2016; Arando and Bengoa, 2018). Those researchers, together with many voices in business-related media, resorted to defend the cooperative model based on a simple analogy: in the same way that many corporations went bankrupt with the economic crisis and the capitalist business model was not called into question; the bankruptcy of a cooperative, however emblematic, should not call into question the viability of the cooperative model. FED did not go bankrupt either because of its cooperative model or because of poor management, but because of an exceptional fall in its main markets. In other words, *due to purely external factors (my emphasis).* Environmental factors most

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- 386 Basterretxea, I.; Cornforth, C., Heras-Saizarbitoria, I., 2020, *Corporate governance as a key aspect in the failure of worker cooperatives*. In: *Economic and Industrial Democracy*.
- 387 Alzola, I., Arando, S., and Arenaza, I., 2015. *The closure of Fagor Electrodomésticos: a source of learning for a cooperative decade*. In: *5<sup>th</sup> CIRIEC International Research Conference on Social Economy. Lisbon Portugal, 15-18 July 2015*.
- 388 Errasti, A. , Bretos, I., and Nunez, A., 2017. *The viability of cooperatives: The fall of the Mondragon cooperative Fagor*. In: *Review of Radical Political Economics*, 49(2), 181-197.
- 389 Arando, S., and Bengoa, I.A, 2018. *Inter-Cooperation Mechanisms in Mondragon: Managing the Crisis of Fagor Electrodomésticos*. In: *Berry, D. and Kato, T. (eds.) Employee Ownership and Employee Involvement at Work: Case Studies*. Emerald Publishing Limited, pp. 7-35.
- 390 Basterretxea, I., Heras-Saizarbitoria, I. and Lertxundi, A., 2019. *Can employee ownership and HRM policies clash in worker cooperatives? Lessons from a defunct cooperative*. In: *Human Resource Management* 58 (6), 585-601.

mentioned are Spain's property bust and subsequent fall in the sale of appliances, new low-cost competition from China and Turkey and the entrance of aggressive Korean competitors in the mid-range market.'

'This complacent view contrasts with a critical analysis conducted internally by the Mondragon corporation (Ortega and Uriarte, 2015<sup>391</sup>) more in line with the voluntaristic school. This internal analysis points towards many cooperative model and cooperative governance failures, mismanagement, and internal communication problems. Similarly, the bankruptcy administrator, considers not only environmental factors as the cause of failure, but also internal ones such as "*not following the same path as competitors by moving production to low cost countries (my emphasis)*, thus being unable to adapt prices to market needs, something that generated a reduction of sales and generated losses" or the "high debt leverage motivated mainly by the acquisition of the French firm Brandt and by the negative results of the main subsidiaries that asked for new investments" (Insolvency Administrator, 2014). Responsibility for these decisions lies with managers and governance bodies responsible of overseeing management. For example, buying Brandt through massive borrowing was proposed by managers, but then approved by 82% of members in the General Assembly. *Not following the same rate of delocalization of production was also a decision conditioned by the governance bodies.*' (my emphasis).

The authors point at two 'most dominant' theories regarding the role of boards in the private sector, the 'agency theory' (Jensen and Meckling, 1976<sup>392</sup>); Keasy et al., 1997<sup>393</sup>), and 'stewardship theory' (Muth and Donaldson, 1998<sup>394</sup>) evaluating these theoretical perspectives as 'rather one dimensional, only illuminating a particular aspect of the board's role'. In this article they adopt an alternative theoretical approach, termed 'a paradox approach', drawing on both agency and stewardship and suggesting the role of a corporation's board being 'paradoxical' in the sense of both to have to control *and* support management. This approach highlights important dysfunctions that can occur in the relationship between boards and management. They argue that organizations may experience a cycle of decline if boards put too much emphasis on either control or support roles.

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391 Ortega, I., and Uriarte, L., 2015. *Retos y dilemas del cooperativismo de Mondragón tras la crisis de Fagor electrodomésticos*. Lanki-Mondragon Unibertsitatea. Arrasate, Spain.

392 Jensen, M. and Meckling W., 1976, *Theory of the firm*. In: *Journal of Financial Economics* 3: 305-360.

393 Keasy, K., Thompson S., and Wright, M., 1997. 'The Corporate Governance Problem – Competing Diagnoses and Solutions' in: Keasy, K., Thompson, S. and Wright, M. (eds.) *Corporate Governance: Economic and Financial Issues*. Oxford: Oxford University Press, pp. 1-16.

394 Muth, M.M., and Donaldson, L., 1998. *Stewardship Theory and Board Structure: a contingency approach*. *Corporate Governance* 6 (1): 5-28.

In section '*Tensions and challenges in co-operative governance*' the authors address a number of dysfunctions, tensions and challenges resulting from Mondragon's co-ops' form of governance. 'A key principle of co-operatives is that they should be governed democratically by their members based on the principle of one member one vote'. Importantly, any member can put him- or herself forward for election as a board member. Expertise may be desirable but is not a central requirement, as is suggested by other perspectives on corporate governance. *As a result, boards may lack the skills and experience to effectively oversee management and contribute to decision-making.*' (my emphasis).

'In co-operatives the members collectively have overall control of the organization. Small co-operatives often practice *direct democracy*(my emphasis) with the general meeting of members taking important decisions, but as co-operatives grow this is usually not practical. A variety of studies suggest that participation rates of members tend to decline as co-operatives age and grow.

This suggests that for larger co-operatives *representative democracy* (my emphasis) in the form of an elected board is the most important means that member have of trying to either control managerial behavior or improve management decisions, *but as noted above these boards may lack the expertise and skills to exercise effective influence* (my emphasis) (Chaves et al. 2008<sup>395</sup>; IFA, 2006<sup>396</sup>, Lees and Volkers, 1996<sup>397</sup>).

Regarding the issue of lacking expertise and skills, the authors refer to research findings suggesting as worker co-operatives grow and employ professional managers it is likely that the gap in expertise between workers and management will grow. For instance, Batataille-Chedotel and Huntzinger (2004<sup>398</sup>) found in a study of French worker co-operatives that once co-operatives grow to have more than 250 members boards do not have the competency to make strategic decisions. In the case of Mondragon co-ops several researchers, like for instance Whyte and Whyte (1988), and Kasmir (1996) found that members of Fagor Electrodomésticos (FED) were suffering from an 'overload of information' they were unable to understand, this causing frustration and complaints.

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395 Chaves, R., Soler, F., and Sajardo, A., 2008. *Co-operative Governance: the case of Spanish Credit Co-operatives*. In: *Journal of Co-Operative Studies* 41(2): 30-37.

396 IFA, 2006. *Coopératives et mutuelles : un gouvernement d'entreprise original rapport du groupe de travail présidé par E. Pfmilin, Institut Francais des Administrateurs*.

397 Lees, M. and Volkers, R., 1996. *General Trends Findings and Recommendations*. *Review of International Co-operation* 89(4): 37-49.

398 Batataille-Chedotel, F., and Huntzinger, F., 2004. *Faces of Governance of Production Cooperatives: An exploratory study of ten French Cooperatives*. In: *Annals of Public and Cooperative Economics* 75(1): 89-111.

In addition, the boards of co-operatives may experience other problems besides a lack of skills. *Low participation rates by members* in elections may mean boards are not representative of the wider membership (Spear, 2004<sup>399</sup>; Chaves et al., 2008). This problem can be exacerbated in worker co-operatives if they employ non-worker members, as is substantially the case in Mondragon's 'coopitalist' corporations.

In section '*Conclusion and Discussion*' the authors summarize the main research findings and discuss a theoretical approach that could be termed a 'paradox approach'.<sup>400</sup> First, they contend that 'it is too simplistic to blame the failure of FED simply on external factors'. While recognizing the importance of external challenges such as Spain's property bust and subsequent fall in the sale of appliances or new low-cost competition from China and Turkey for instance, the authors show in their paper that 'internal factors linked to the cooperative's governance system and culture influenced key failed strategic decisions and reduced the capability of the firm to reverse the decline caused by external factors.' Second, their research shows that 'democratic governing bodies can slow down or indefinitely postpone painful decisions concerning the closure of factories and units that lose money but employ worker owners. Painful measures that could have saved part of the firm weren't taken or even proposed by management to the General Assembly, since managers knew in advance that the worker owners would vote them down.' Third, the research also 'contributes to the literature by allowing a better understanding of how organizational factors, such as organizational size and internationalization through the takeover of foreign subsidiaries pose challenges for the cooperative model of democratic governance.' *Participants in the study believed that the level of direct democracy at FED is ill-suited to large multinational cooperatives.* (My emphasis). The application of the one-member-one vote principle in massive General Assemblies is questioned by most of the interviewees. In fact, some interviewees highlight that similar conflictual and unproductive General Assemblies and subsequent mass resignations of Governing Councils are also taking place in other large Mondragon cooperatives, and they suggest *large cooperatives should limit the power of General Assemblies and move to a stronger form of representative democracy.* (my emphasis). Fourth, reflecting on conceptual-theoretical aspects of their research, the authors point at 'a largely conceptual paper

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399 Spear, R., 2004. *Governance in democratic member-based organizations*. In: *Annals of Public and Cooperative Economics* 75(1): 33-60.

400 Carmen Marcuello, Ignacio Bretos and Anjel Errasti referred to this 'paradox approach' in their call for 'combining a paradox approach with power-aware and politically-informed approaches' to 'further understand how cooperatives manage tensions and internal contradictions at each organizational stage of the life cycle, and which organizational actors benefit, and how, from reversing some degenerative tendencies while maintaining others intact.' (Bretos, Errasti, and Marcuello, 2019: 21).

Sundaramurthy and Lewis (2003<sup>401</sup>) draw on both agency theory and stewardship theory to *highlight an important paradox that boards face, namely that they need to both control and support management. (My emphasis)*. These authors argue that 'if boards focus too strongly on either of these roles at the expense of the other it can lead to organizational problems. They propose that if boards are too critical and unsupportive of managers they may get trapped into defensive spirals of behavior, which leads to processes of organizational decline. *The case of FED provides evidence to support this proposal.*' (my emphasis).

'This destructive spiral generated fear among subsequent managers that then tried to maintain social peace by keeping proposals that might be opposed by worker members off the agenda that lead to a 'reverse dominance hierarchy' (Basterretxea et al., 2019<sup>402</sup>) and contributed to FED's demise. *Nevertheless, some interviewees felt that a 'reverse dominance hierarchy' is part of the raison d'être of the cooperative model itself. (my emphasis)*.

'Thus, the challenge is how to make this dominance and the voice of the members in the Governing Council and General Assembly work more effectively to supervise and guide managers. Some interviewees highlighted the example of ULMA, that has grown through spin-offs and creating new cooperatives, each of a size that can make democratic governance easier. A recent paper (Bretos et al., 2019<sup>403</sup>) also offers interesting examples from Fagor Arrasate and Fagor Ederlan, that have achieved the involvement of members at all levels in the discussion and elaboration of strategic plans through several mini councils.

The authors continue: '*Our study also contributes to the scholarly literature when cooperative membership is restricted to certain groups (my emphasis)*. In the case of FED, membership was not offered to the foreign subsidiaries the cooperatives took over. In addition, the one-member one-vote principle generated a General Assembly and Governing Council composed *mainly of industrial workers and technicians from FED's Basque factories (my emphasis)*. As a result, *the interests of other key functional departments, such as marketing, and foreign subsidiaries were either under-represented or not represented at all(my emphasis)*. Interviewees believed this led to the downsizing

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401 Sundaramurthy, C. and Lewis, M., 2003. Control and collaboration: Paradoxes of governance. In: *Academy of Management Review* 28(3): 397-415.

402 Basterretxea, I., Heras-Saizarbitoria, I. and Lertxundi, A., 2019. Can employee ownership and HRM policies clash in worker cooperatives? Lessons from a defunct cooperative. In: *Human Resource Management* 58(6) 585-601.

403 Bretos, I., Errasti, A., and Marcuello, C., 2019. Is there life after degeneration? The organizational life cycle of cooperatives under a "grow or die" dichotomy. In: *Annals of Public and Cooperative Economics*, Vol. 91(3)1-26.

of uncompetitive domestic plants being postponed and to a progressive loss of competitiveness.

'Another key lesson from the experience of FED relates to the competency of worker board members to understand and act on the information they are presented with in large complex cooperatives. Giving all the information is not the solution if cooperative members cannot understand it. According to our informants, so the authors, *'thinking that training for business literacy and efforts to improve communication in simpler formats can equip worker board members to address complex economic and strategic problems facing multinationals like FED is naïve.'*

'The failure of FED made many other Mondragon cooperatives think that this competency gap cannot be filled by training alone. Thus, a growing number of voices are asking for the *professionalization of Governing Councils*. (My emphasis). While the nomination of board members based on meritocracy limits some of the governance problems of cooperatives, it also generates Governing Councils that do not reflect the plurality of interests of the members from different background. *Professionalizing totally the Governing Councils*, as informants have told us that some Mondragon cooperatives are doing, *is likely to mean that expertise is acquired at the expense of representation of certain groups of workers.'* (my emphasis).

'A potential solution this governance problem as suggested by some of managers interviewed is to include *independent board members on the Governing Councils*(my emphasis). The appointment of independent directors has been possible since the approval of *the Basque Cooperative Act in 1993*(my emphasis). However, FED and most of the Mondragon cooperatives have not made use of this opportunity. One possible reason is that bringing in expert independent directors on to the board is costly, and Mondragon cooperatives' practice of not paying the members of the Governing Council for their role makes it difficult to attract professionals who could play this role.'

'As a result of FED's failure, the Basque government is drafting a *new cooperative law* (Gobierno Vasco, 2018<sup>404</sup>) that, among other things, proposes to professionalize the governing councils and encourage the use of independent members.'

Viewed from the critical, cultural, political economical and psychological perspective of this monograph, the 'paradox approach' of Basterretxea, Heras and Cornforth, despite its elucidating a number of difficulties regarding the corporate governance of Mondragon cooperatives, must be considered as a flawed perspective. Basically, their approach remains confined to Mondragon's original cooperative philosophy, characterized by the

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404 Gobierno Vasco, 2018, *Anteproyecto de Ley de Cooperativas de Euskadi de 18/12/2018*. This law came into force in 2020.

alleged 'a-political' and 'neutral' vision as practiced by Don José María Arizmendiarieta. As abundantly documented by historical research, Mondragon's founding father's ideas about (economic) democracy and political power relations proved to be, if systematically articulated at all, shallow, reductionist and basically uncritical to the established political and economic order. I will return on this issue below.

The authors' 'paradox' approach, 'paradox' literally meaning 'a *seeming* contradiction' overlooks the crucial difference of paradoxes and *real contradictions*, thereby missing the point to identify *unresolvable* problems within Mondragon's cooperative ideology. I presume the identification of these unresolvable problems made Ignacio Bretos and his colleagues asking for (future) research being 'power-aware' and 'politically-informed'. To be more specifically, the research of Basterretxea and his colleagues reveals an 'equilibrium' approach, basically static and conceptually non-evolutionary. As Jon Sarasua noted<sup>405</sup>, finding this 'equilibrium' (between two contradicting logics) has always been, right from the start, a difficulty, a fundamental problem never really solved.

My approach to the analysis of the Mondragon cooperative experience, viewed as an analysis of social and political processes, is a different one. In my view, this analysis itself is 'inherently, irredeemably and essentially political', moving from the realm of mere description to that of explanation, that means, moving from the realm of science to that of interpretation. Following Colin Hay<sup>406</sup> I argue there are no privileged vantage-points, merely the conflict between alternative and competing narratives premised on different ontological, ethical, and normative assumptions. This scholar rightly insists that (1) political analysis remains essential political and *refuses to abandon its ability to think of a world different from our own* simply because such claims cannot be adjudicated with ultimate certainty; (2) that it seeks to acknowledge its *necessarily normative content*; and (3) that it strives to render as explicit as possible the normative and ethical assumptions on which it is premised. (Hay 2002: 88). In Part One of this monograph on Mondragon I attempted to outline as clearly as possible my own ontological, epistemological, methodological, and normative assumptions underpinning my research. Like critical psychologist Carl Ratner argues, his macro cultural psychological approach, outlined in his volume 'Macro Cultural Psychology. A Political Philosophy of Mind.' (2012), refuses to hide behind the comforting rhetoric of science, objectivity, neutrality, and truth. Similar to Hay's argument, Ratner refuses to abandon the ability to think of a world different from our own. For instance, to these scholars the (un)famous statement of Margaret Thatcher, 'there is no alternative' (the TINA principle) does not hold. While endorsing this position of Hay and Ratner regarding the TINA principle, I have noted this '*there is no alternative*'-argument regularly surfaces in mainstream accounts of the Mondragon experience, particularly linked to the

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405 Sarasua, J., 2010. *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa*. Eskoriatza: Lanki.

406 Hay, C., 2002. *Political Analysis. A Critical Introduction*. Palgrave Macmillan.

phenomenon named 'globalization'. If we focus on the word '*globalization*', according to Bob Jessop<sup>407</sup> a polyvalent, promiscuous, controversial word that often obscures more than it reveals about recent economic, political, social, and cultural changes', a thorough theoretical political economic and historical approach to this crucial concept regarding the so-called TINA-principle proves to be conspicuously absent in mainstream literature on the 'degeneration' of the Mondragon co-ops. In other words, mainstream approaches put 'cooperative principles and values at the center of the analysis, since they explain the different behavior of cooperatives compared to conventional organizations.' (Heras 2014<sup>408</sup>). Therefore, the assessment and measurement of the integration of such principles and values in the strategies, policies and practices of cooperatives may be crucial to evaluate the outcomes generated by these organizations *in the globalized scenarios* where they are embedded.' (emphasis mine, Bretos and Marcuello (2017)<sup>409</sup>.

In contrast to this and similar mainstream approaches, my strategic-relational approach, applied to the 'Mondragon case', grounds in analyzing the spatial-temporal dynamics and temporal sovereignty in *capitalist dynamics*, thereby applying basic insights and methodologies from great (spatial) thinkers like, for instance, Gramsci, Lefebvre, Harvey and Soja. This last scholar noted: 'class struggle must encompass and focus on the vulnerable point: the production of space, the territorial structure of exploitation and domination, the spatially controlled reproduction of the system as a whole'<sup>410</sup>. In my view, the absence of this way of theorizing 'globalization' in mainstream literature addressing 'globalization challenges to the Mondragon co-ops' inhibits to provide an *explanation* of the alleged 'degeneration' of Mondragon's key values and principles due to what is called 'globalization'.

Apart from my critical position regarding the flawed theorizing of this catch-all term 'globalization'<sup>411</sup>, applying this TINA argument to Mondragon's transnationalization, respectively degeneration process has to be challenged viewed from my theoretical perspective. I argue this approach uncritically reproduces Mondragon's original, flawed conception of cooperation in its organizational form of co-ops, based on self-governance and capital subservient to labor. In contrast to this approach *reproducing* Mondragon's

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407      <sup>82</sup>Jessop, B., 2008. *State Power. A Strategic-Relational Approach*. Cambridge: Polity Press.

408      Heras, 2014. 'The Ties that Bind? Exploring the Basic principles of Worker-Owned Organizations in Practice. In: *Organization*, 21, 645-665.

409      Ignacio Bretos and Carmen Marcuello, 2017. *Revisiting Globalization Challenges and Opportunities In The Development Of Cooperatives*. In: *Annals of Public and Cooperative Economics*, Vol. 88, 1, 47-73.

410      Soja, E., *Postmodern Geographies. The Reassertion of Space in Critical Social Theory*.

411      See, for instance, the volume '*Demystifying Globalization*' (2000) eds. Colin Hay and David Marsh.

history, I propose to offer a theoretically informed historical *reconstruction*, or, to use the words of Bob Jessop<sup>412</sup>, a ‘periodization’ of that history.

Moreover, the mainstream approach to the concept of power, if addressed at all explicitly, seems to be reductionist, in the sense of lacking a ‘three-dimensional view’<sup>413</sup> and limited to the one-dimensional view that focuses on the formal ‘political arena’, on the ‘counting’ of votes and decisions in decision-making forums like, for instance, the General Assembly or Governing Council. In contrast to their narrow conception of power, largely limited to decision-making processes, I would propose a broader, critical, dialectical, and strategic-relational approach, offering a multi-level analytical framework sensitive to the various dimensions of the relations of power and language. Notably the critical discourse analysis (CDA) component of my theoretical framework, emphasizing ‘the power *in* discourse’ as well as ‘the power *behind* discourse’<sup>414</sup> opens avenues for investigating these relations in the context of the corporate governance possibilities and limitations of Mondragon’s cooperatives. My drawing on a three-dimensional view of power includes viewing power not only as ‘decision-making’, but also agenda-setting and preference-shaping. Focusing my analysis on civil society more generally, especially the public sphere in which preferences are shaped. In contrast to these authors’ approach being limited to the ‘meso-level’ (the level of the organization) as identified in Roland Hartz’s dialectical theory of labor organizations (as in this case, co-ops), thereby exposing a blind spot to the inextricably related *macro-level* (*the level of society*) and the third, *micro-level*, regarding the ‘subject’ or the ‘identity’ of the workers in these cooperative labor organizations.

Another difference with the mainstream approach regards the methodological terrain: as I elucidated in Part One of this monograph, my theoretical perspective encompasses ‘ideology critique’ to demonstrate how actors come to misperceive their own material interests. This perspective views the nature of power as largely invisible, power distorts perceptions and shapes preference; it must be demystified.<sup>415</sup>

The conventional, mainstream approach to power-aspects of co-operatives like Mondragon has been criticized by Carl Ratner in the mini symposium at Radboud University (2017). In my view he rightly rejects such a reductionist, narrow conceptualizing of this key concept for any analysis of ‘the Mondragon experience’. In focusing almost exclusively on ‘decision-making’ mainstream researchers exclude decisive elements from the equation,

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412 Jessop, B., 2008. *State Power. A Strategic-Relational Approach*. Cambridge: Polity Press.

413 See Colin Hay’s critical review of Lukes’ ‘radical three-dimensional conception of power’, in his volume ‘Political Analysis’ (2002, pp. 178-184, notably Table 5.4, p. 180)

414 Fairclough, N., 2015. *Language and Power*, third edition. Ch. 3: *Discourse and power*, pp. 73-100. London and New York: Routledge Taylor & Francis Group.

415 Colin Hay, 2002. *Political Analysis*. Table 5.4, *The ‘faces of power’ controversy: political power in three dimensions*, p. 180.

like the power relations of social structures or the 'hidden power' behind discourse, to use Fairclough's words. Put in general, theoretical terms, in combining critical semiosis with critical political economy enables my strategic-relational analysis of the Mondragon cooperative experience to avoid two complementary errors in political economy. 'First, if semiosis – in this Mondragon case for instance the co-founders' discourse<sup>416</sup> – is studied apart from its extra-semiotic context, accounts of social causation will be incomplete, leading to semiotic reductionism and/or imperialism. Second, if material transformation is studied apart from its semiotic dimensions and mediations, explanations of stability and change risk oscillating between objective necessity and sheer contingency. In offering a 'third way', cultural political economy (CPE) emphasizes that capitalism involves a series of specific economic forms (the commodity form, money, wages, prices, property, etc.) associated with generalized commodity production. These forms have their own effects that must be analyzed as such and that therefore shape the selection and retention of competing economic imaginaries. Thus a Marxist CPE would robustly reject the conflation of discourses and material practices and the more general 'discourse imperialism' that has plagued social theory for two decades.' (Jessop 2008: 52). This SRA-approach exposes close theoretical affinities to the approach outlined by Bieler and Morton in chapter 3 of their volume 'Global Capitalism, Global War, Global Crisis', elucidating 'the material structure of ideology'. In turn, both related approaches neatly fitting in the overall theoretical perspective of this monograph.

#### **10.4 The non-equivalence between Mondragon's formal policies and its day-to-day activities: the ties that really bind**

In his article "*The ties that bind? Exploring the basic principles of worker-owned organizations in practice*" (2014<sup>417</sup>) the Basque scholar Iñaki Heras-Saizarbitoria produced an important intervention in the debate on the dissociation process in formal policies of organizations like Mondragon's co-operatives, governed by alternative founding principles.

The author notes that 'despite its economic success, this experience has also been wrought with its own share of tensions and internal paradoxes. Surprisingly, the perspective of worker-member-owners in the analysis of those inconsistencies in Mondragon has been given very little prominence. Similarly, the equivalence between the formal policies defined in that experience and the day-to-day activity has been widely taken for granted in the literature. In his article Iñaki Heras 'aims to fill this gap and contribute to the literature by analyzing the extent to which Mondragon's basic

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416 See Azkarraga's dissertation (2006) on the Mondragon cooperative experience, the empirical part regarding the discourse analysis of three Mondragon's co-founders.

417 Heras-Saizarbitoria, I., 2014. *The ties that bind? Exploring the basic principles of worker-owned organizations in practice*. In: *Organization*, Vol. 21(5) 645-665.

cooperative principles are applied in the daily practice from the perspective of worker-member-owners.' (Heras 2014: 645).

To reproduce his intervention more in detail, I will cite at some length key passages from his text.

In the 'Introduction' the author notes that 'since the early decades of its journey, the Mondragon Cooperative Experience attracted international academic interest (e.g., Bradley and Gelb, 1985<sup>418</sup>; Gutierrez-Johnson and Whyte, 1977<sup>419</sup>; Oakeshott, 1978<sup>420</sup>; Whyte and Whyte, 1988<sup>421</sup>), which became consolidated over subsequent decades (e.g. Cheney<sup>422</sup>, 1999, 2005; Clamp<sup>423</sup>, 1999, 2000; Miller<sup>424</sup>, 2002; Ridley-Duff<sup>425</sup>, 2010; Whyte<sup>426</sup>, 1998).

The author continues: 'Indeed, as recently highlighted by Azkarraga et al.<sup>427</sup> (2012), Mondragon 'has taken on a mythical status in some circles, especially in commentaries

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- 418 Bradley, K., and Gelb, A., 1985. *Cooperation at Work: The Mondragon Experience*. London: Heinemann.
- 419 Gutierrez-Johnson, A., and Whyte, G.F, 1977. 'The Mondragon System of Worker Production Cooperatives', in: *Industrial and Labor Relations Review* 31(1): 18-30.
- 420 Oakeshott, R., 1978. *The Case for Workers' Coops*. London: Routledge & Kegan Paul; 1978, 'The Mondragon Model of Participation: Industrial Cooperatives: The Middle Way', in: *Industrial and Commercial Training* 10(2): 50-56.
- 421 Whyte, W.F. and Whyte, K.K., 1988. *Making Mondragon: The Growth and Dynamics of the Worker Cooperative Complex*. Ithaca, NY: ILR Press.
- 422 Cheney, G., 1999. *Values at Work: Employee Participation Meets Market Pressure at Mondragon*. Ithaca, NY: Cornell University Press; 2005, 'Democracy at Work within the Market: Reconsidering The Potential', in: V. Smith (ed.) *Worker Participation: Current Research and Future Trends (Research in the Sociology of Work, vol. 16)*, pp. 179-203. Amsterdam: Emerald Group Publishing Limited.
- 423 Clamp, C.A., 1999. *The Evolution of Management in the Mondragon Cooperatives*. Hooksett, NH: Southern New Hampshire University. 2000, 'The Internationalization of Mondragon', in: *Annals of Public and Cooperative Economics* 71(4): 557-77.
- 424 Miller, M., 2002. 'Mondragon: Lessons for our Times', in: *Social Policy* 32(2): 17-20.
- 425 Ridley-Duff, R., 2010. 'Communitarian Governance in Social Enterprises"Case Evidence from the Mondragon Cooperative Corporation and School Trends Ltd.', in: *Social Enterprise Journal* 6(2): 125-45.
- 426 Whyte, W.F., 1998. 'The Mondragon Cooperatives in 1976 and 1998', in: *Industrial and Labor Relations Review* 52(3): 478-81.
- 427 Azkarraga, J., Cheney, G., and Udaondo, A., 2012. 'Workers Participation in a Globalized Market: Reflections on and from Mondragon', in: M. Atzeni (ed.) *Alternative Work Organizations*, pp. 76-102. New York: Palgrave Macmillan.

over alternative economic and organizational forms' (Azkarraga et al., 2012: 76). During the second half of the 20<sup>th</sup> century, Mondragon was the model for successful cooperative business to follow (Santa Cruz et al.<sup>428</sup>, 2012), as a kind of 'exemplary model' of feasible alternative forms of enterprise in today's globalized economy (Arando et al.<sup>429</sup>, 2010), one which has contributed to the fair economic development of the main region in which it has developed.'

'However, real tension increased over the extent to which the Mondragon cooperatives could achieve their targets in terms of social values (Azkarraga et al., 2012; Cheney, 1999, 2005; Taylor, 1994). These tensions and paradoxes between business success and social values within Mondragon have been studied by a set of scholarly contributions which have a complex and nuanced critical content. Conversely, in the prolific management literature (see the following section), the experience has been romanticized and fictionalized to a great extent. Hence, two main limitations of these *conventional* works might be underlined. First, these contributions tend to analyze the organizational and managerial reality of Mondragon considering only the opinion of one of the agents involved in the organization – namely, its managers. In so doing, this literature has totally overlooked noteworthy distortions, such as managers' social desirability bias (Crowne and Marlowe<sup>430</sup>, 1964).

Second, these studies have tended to take for granted that there is an equivalence between the formal policy of the cooperatives and the day-to-day activity that takes place within them. But the scholarly literature supports the idea that formal organizational statements and principles are frequently disconnected from real actions, since decoupling of practices from formally adopted policies is ubiquitous in different types of organizations. (Boxenbaum and Jonsson<sup>431</sup>, 2008). Notwithstanding this, in the literature about alternative organizational forms, such as that of the Mondragon Cooperative Experience, this perspective has not been the focus of any interest.'

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428 Santa Cruz, I., Nazareno, E., Cheney, G., et al. (Guest Editors), 2012, 'Worker Cooperatives as an Organizational Alternative: Challenges, Achievements and Promise in Organizational Governance and Ownership (Call for Papers – special issue of *Organization*), draft of 3 March.

429 Arando, S., Freundlich, F., Gago, M., et al., 2010. 'Assessing Mondragon: Stability & Managed Change in the Face of Globalization', William Davidson Institute Working Paper 1003, November. Michigan: University of Michigan.

430 Crowne, D., and Marlowe, D., 1964. *The Approval Motive: Studies in Evaluative Dependence*. New York: Wiley.

431 Boxenbaum, E., and Jonsson, S., 2008. 'Isomorphism, Diffusion and Decoupling', in R. Greenwood, R. Suddaby, C. Oliver, et al. (eds) *Handbook of Organizational Institutionalism*, pp. 78-98. New York: Sage.

Taking these gaps into consideration, in this article Heras aims to contribute to the literature in three ways:

- 1) to contribute to organizational theory by examining the dissociation process of formal organizational policies in organizations such as worker-owned companies, which are usually governed by different founding and guiding principles from those of conventional business organizations. Adherence to and dissociation from some basic cooperative principles (BCP) developed from a code of conduct which formally reflected the aspirations of Mondragon's pioneers are therefore analyzed.
- 2) to update previous analyses of the complexities of organizational life within Mondragon from the perspective of the worker-member-owners, in a particularly relevant set of circumstances arising from the major systemic economic crisis surrounding the economic structure within which it is embedded and the intense process of individualization in the social context of Mondragon.
- 3) This article also aims to contribute to the literature, on another level, to the study of the sustainability of alternative organizations and worker-owned organizations, by considering the role they play in relation to the internal and external aspects of such organizations.

### ***Two broad academic traditions or dominant approaches to the Mondragon Cooperative Experience.***

According to the author, two dominant approaches can be distinguished. On the one hand there is 'an approach that recognizes and tries to analyze the tensions, lack of consistency, and internal paradoxes' of this experience, and on the other hand, there is 'the academic tradition that overlooks those tensions and promotes Mondragon as a sort of managerial success story'. (Heras 2014: 648). Pointing at one of these former, critical approaches, Heras mentions the work of scholars like for instance Joseba Azkarraga, Jon Sarasua and Anjel Errasti regarding the 'cooperative degeneration of Mondragon.' Notably referring to the PhD thesis of Azkarraga<sup>432</sup>, Heras writes: 'After years devoted to its study, Azkarraga (2006) summarizes the main inconsistencies of the Mondragon Cooperative Experience like this: *'in theory, ownership and decision-making capacity are in the hands of cooperative members, but in reality, it is the managers who make the decisions; furthermore, the differential in wages has grown, the number of temporary workers has greatly increased, in both relative and absolute terms, and the internationalization process is taking place outside the cooperative movement; and finally,*

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432 Azkarraga Etxagibel, J., 2006. *Identitate kooperatiboaren bilakaera: Arrasateko kooperatiba esperientzia. Doctoral thesis, University of the Basque Country (UPV-EHU).*

*the contradictions in Mondragon greatly increased owing to the need to join the European Union (EU) in the 1980s and to adapt to the globalizing process of the 1990s'.*

In contrast to this approach, addressing these complex and critical issues, in the *conventional* approach these issues are 'clearly absent'. In this tradition the previously mentioned contributions, inconsistencies or tensions 'are not analyzed, or are considered very superficially'. Heras: 'This conventional approach is deep-rooted in the Spanish academic tradition of management studies. It is an approach where it is assumed that management knowledge has no politics (Parker and Thomas<sup>433</sup>, 2011). Therefore, a flattering and indulgent view prevails in this approach that derives from *business analysis* or is similar to corporate public relations. In this tradition, the perspective on the alternative experience has gone beyond the mythical status highlighted by Azkarraga et al.<sup>434</sup> (2012) and has evolved into a *monolithic myth*, where descriptions of Mondragon such as a 'unique experience in the use of democratic and participatory methods in management' (Forcadell<sup>435</sup>, 2005) are commonplace. According to Heras, 'this line of work takes for granted that all these business practices can be reconciled with Mondragon's foundational principles and values, simply because such principles are declared and supposedly guide its activity.'

Within this line of thinking, Mondragon 'is held together by a set of shared principles' (Smith<sup>436</sup>, 2001). These Mondragon Basic Cooperative Principles are (based on Ormaechea<sup>437</sup>, 1993):

1. Open Admission
2. Democratic Organization
3. Sovereignty of Labor
4. Subordinate Character of Capital
5. Participatory Management or Self-Management
6. Payment Solidarity
7. Inter-Cooperation
8. Social Transformation

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433 Parker, M., and Thomas, R., 2011. 'What is a Critical Journal?', in: *Organization* 18(4): 419-27.

434 Azkarraga, J., Cheney, G., and Udaondo, A., 2012. 'Workers Participation in a Globalized Market: Reflections on and from Mondragon', in: M. Atzeni (ed.) *Alternative Work Organizations*, pp. 76-102. New York: Palgrave Macmillan.

435 Forcadell, F.J., 2005, 'Democracy, Cooperation and Business Success: The Case of Mondragón Corporación Cooperativa', in *Journal of Business Ethics* 56(3): 255-74.

436 Smith, S, 2001. 'Blooming Together or Wilting Alone? Network Externalities and the Mondragon and La Lega Cooperative Networks', *United Nations University /WIDER Discussion Paper No. 2001/27*. Helsinki: UNI-WIDER.

437 Ormaechea, J.M., 1993. *The Mondragon Cooperative Experience*. Arrasate: Mondragón Cooperative Corporation.

9. Universality

10. Education

These basic principles are present 'as the point of departure, on the understanding that as a whole they define the specific features of our cooperative culture' (Mondragon<sup>438</sup>, 2013). In the then recently designed Corporate Management Model these principles constitute unquestioned points of departure, implemented in day-to-day management.

Heras points at the frequent 'decoupling' between the adopted organizational discourses and methods and the real practices or needs of organizations. For instance, referring to the work of Meyer and Rowan<sup>439</sup> (1977), he notes that this frequent 'decoupling' results in 'myths' and 'ceremonies' intended to meet the requirements of the external environment superficially. 'In brief', he continues, 'decoupling refers to creating and maintaining gaps between symbolically adopted formal discourses and policies, and actual organizational practices. Brunsson<sup>440</sup> (1989), going beyond the seminal concepts of American institutionalists, refers to 'organized hypocrisy', to stress the significant divergences between 'talk', 'decisions', and 'actions' which are often the norm within the organization's life. Brunsson notes that observers of organizations are prone to 'make the mistake of supposing that organizational statements and decisions agree with organizational actions'(Brunsson, 1989: 231). 'These perspectives therefore provide evidence of the fact that organizations tend to create idealized portrayals or frictions.' (my emphasis). (Heras 2014: 650). The author continues: 'even among the previously mentioned articles which adopt a more critical, nuanced, and complex perspective of the Mondragon case, there is a dearth of works that attempt to reflect the workers' views.<sup>441</sup> And those that have been done (e.g. Greenwood et al.<sup>442</sup>, 1989) were published a long time ago, in a different economic and social context that existed before the more recent and prominent processes of globalization and individualization (Beck and Beck-Gernsheim<sup>443</sup>, 2002). As Azkarraga (2006, 2007) and Azkarraga et al. (2012) pointed out, the social and cultural flows between Mondragon and its larger social-political-economic context may have influenced the evolution development of the experience. Especially, the move

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438 *Humanity at Work: Corporate Profile 2012. Arrasate, Spain: Mondragon.*

439 Meyer, J. and Rowan, B., 1977. 'Institutional Organizations: Formal Structure as Myth and Ceremony', in: *American Journal of Sociology* 83: 340-63.

440 Brunsson, N., 1989. *The Organisation of Hypocrisy: Talk, Decisions and Actions in Organisations*. Chichester: John Wiley & Sons.

441 Iñaki Heras conspicuously omits here the work of Sharryn Kasmir, explicitly adopting a working-class perspective in her anthropological research on the Mondragon experience.

442 Greenwood, D., González, J.L., Cantón, J., et al., 1989. *Culturas de Fagor: Estudio Antropológico e las Cooperativas de Mondragón*. San Sebastian: Editorial Txertoa.

443 Beck, U., and Beck-Gernsheim, E., 2002. *Individualization: Institutionalized Individualism and Its Social and Political Consequences*. London: Sage.

toward more individualistic patterns of community and civic life, seems to have lowered the levels of communitarian social capital to historic minimums in the Basque Country (Calzada, 2013). 'The process of de-ideologization has affected the whole of society and, as members of that society, the cooperative social body as well' (Azkarraga et al., 2012: 78).

*Before critically discussing Heras' research from my theoretical perspective, I briefly summarize his findings.*

'Broadly speaking, the socios who were interviewed view the Basic Cooperative Principles (BCP) as having two distinct connotations.

- 1) On the one hand, they are seen as a discourse which presents an initial, general approximation to the principles, and which are seen as a set of rather abstract values, that is, not very clearly defined, which an individual may have internalized. The BCP are seen as 'basic ethical constituent principles which, among older interviewees, even resemble a religious decalogue: 'for some, these [principles] are like our ten commandments'.
- 2) On the other hand, respondents also clearly associate these principles with a more rhetorical or formal level of corporate discourse, in the form of a declared formal corporate statements of compliance (Seidl, 2007). These statements they don't seem to have assimilated. 'Those theoretical concepts [the BCP] are forgotten with the day-to-day activities, as they are not used.' In short, there seems to be a prevailing attitude that these BCP are corporate discursive elements that are detached from day-to-day decisions and activities.

According to Heras, there is a 'relatively unvarying discourse among the interviewees that is critical of the real practical potential of the main democratic bodies, such as the Assembly or the different councils, especially the Social Councils. There is mainstream discourse that, using different terms, criticizes the lack of 'practical' value of the Democratic Organization Principle, pointing out that this principle constitutes 'mere formalism' in day-to-day activity, 'a pointless gesture' or '*a fictitious democracy that is conspicuous by its absence*'. (my emphasis).

'Similarly, there is also a discourse shared by some respondents, especially the youngest ones, which expresses a very extreme version of this criticism focusing on the supposed day-to-day application of this principle. They point out that even though a certain formal democracy exists which allows some decisions to be made democratically, '[t]hese have little to do with that perspective of one person-one vote'. Most examples of this criticism focus on 'a relatively specific decision-making, in which the real *top-down* perspective and supposed empowerment of *socios* prevail'.

‘What is more, the *lack of transparency of information regarding this principle (my emphasis)* is criticized by the vast majority of respondents, who link it to a deficiency in the day-to-day application of this Democratic Organization Principle.’

Because of the crucial importance of Heras’ qualifying remarks on the (re)interpretation of particularly the ‘Democratic Organization Principle’ for my discussion of his research approach and results, I will quote at length the passage regarding this basic cooperative principle.

“It is important to stress at this point that the Democratic Organization Principle established in Mondragon refers to the democratic government of organizations and *not to supposed democratic or democratizing day-to-day management. (my emphasis)*. The bases of a democratically organized company are specified: the sovereignty of the General Assembly which operates based on ‘one member, one vote’, the democratic election of governing bodies, and the collaboration with management bodies designated to manage the company through the delegation of the members (Mondragon<sup>444</sup>, 2013). Therefore, this principle does not promote assembly decision-making, as it seems that is interpreted with criticism by many of the interviewed. While this may be a criticism that can be linked to other aspects of organizational democracy, such as the issue of transparency in communication (Cheney<sup>445</sup>, 1999), the regular exercise of full democracy in day-to-day decision-making does not necessarily derive from the principle under analysis (Ormaechea<sup>446</sup>, 1991). *As pointed out by García-Insauti<sup>447</sup> (2003), organizational democracy can be oriented either toward the political-institutional level relating to the overall management of the company or to the more technical level relating to each job (my emphasis)*. It would thus seem that a clear, active reinterpretation by respondents is taking place regarding the formal *Democratic Organization Principle* included in the BCP, giving it a meaning and content that go beyond its literal sense. Consequently, *the complexity of the concept of organizational democracy becomes apparent, as does its bond – as mentioned previously – with the Participatory Management Principle in the case of Mondragon(my emphasis)*, as suggested by Altuna<sup>448</sup> (2008).” (Heras 2014: 653).

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444 ‘Humanity at Work: Corporate Management Model’. (2013). Arrasate, Spain: Mondragon.

445 Cheney, G., 1999. *Values at Work: Employee Participation Meets Market Pressure at Mondragon*. Ithaca, NY: Cornell University Press.

446 Ormaechea, J.M., 1991. *Los Principios Cooperativos de la Experiencia. Textos Básicos De Otalora. Capítulo V. Aretxabaleta: Otalora*.

447 García-Insauti, O., 2003. *Partehartzea Enpresan: Begiratu Historikoa, Begiratu Kritikoa Eta Lankidetzaren Begiratu*. Eskoriatza, Spain: Lanki Ikertegia Unibertsitatea.

448 Altuna, L. (ed.), 2008. *La experiencia cooperativa de Mondragón. Una síntesis general. Mondragón: Lanki*.

Regarding the *Participatory Management Principle* Heras reports similar findings in the sense that 'the prevailing discourse among those interviewed is also that the principle is quite remote from their daily activity, as their ability to participate competently in decision-making and the management of the organization is very limited and not the real focus of attention, and thus it does not produce substantial improvements on a day-to-day basis.' The author quotes some interviewees: "*That thing about participation and self-management sounds like an anachronism to me- someone needs to come and explain to me what this has to do with the reality of our situation.*"

*"There is little commitment to or participation in managing things. I do the bare minimum and then head off for home. I know I've got some job security, and so I do my eight hours and that's it."*

*"Participation is not a priority – compliance is. He who goes up in the organization is the one who complies without complaining about what managers are ordering."*

The author writes: 'Together with this highly critical discourse, a more positive discourse is also present which values achievements about participation and self-management within their own organizations, in comparison with participation found in conventional organizations.

*[N]evertheless, we are dealing with a complex discourse which highlights the fact that the established expectations of participation fail to be met.' (my emphasis).*

The discourse among those interviewed, so Heras, would seem to evidence a broad erosion of the Democratic Organization Principle and the Participatory Management Principle, although there may be no perception that such erosion exists owing to the degradation of these concepts and some internal tensions. Rather, one can discern a type of discourse among the *socios* that justifies the existing sense of neglect or giving up, for instance, in the area of participation in representative member posts. Some interviewees express an especially critical tone toward the managerial elite of Mondragon. Nonetheless, the prevailing feeling among the interviewed members – which is even more obvious among the younger *socios* – seems to be *that the degeneration of the democratic principle is necessary in order for the experience to continue to be viable. (My emphasis)*. This critical discourse only emerged with regard to political-institutional participation, *but not with regard to participation at work (my emphasis)*, which they see as behind closed doors and do not feel is mediated by external factors like the external economic pressures from Mondragon (Cheney, 1999), such as the constant threat of offshoring of production activities.

According to the author, with regard to *the Education Principle*, a *reinterpretation of this foundational principle can also be observed (my emphasis)*. 'Even though the literal sense

of this principle covers not only aspects relating to cooperative education and training, but also more wide-ranging aspects of Education and Lifelong Learning (Mondragon, 2013) – that is, training in knowledge, competences, and values, as highlighted by Agirre et al.<sup>449</sup> (2001) and Altuna (2008), who adhere to the *Arizmendian* training perspective – practically all the interviewees focused on aspects related to cooperative training. In relation to this specific aspect, *a very poor and distorted cooperative education is in evidence (my emphasis)*, relegated to mere formal training about the BCP that is geared toward filling an existing gap identified by Mondragon itself, according to the socios interviewed – especially the newer ones.’ (Heras 2014: 655).

Heras concludes the findings of his research: ‘Yet, in addition to these comments about BCP within Mondragon, *one could sense from the interviews a certain tacit and non-formal principle, which is prevalent among the socios, especially among the younger ones. A principle which was expressed by one of them in this way: “at the end of the day, that’s what there is, I’m a socio and they can’t throw me out – that’s the only principle that is abided by”*. (my emphasis). This attitude seems to be prevalent in the daily activities of those interviewed. Indeed, there are many stories and anecdotes about this principle in their conversations. In most cases, this discourse is also critical of members’ tendency to go along with the system: ‘Many socios just go along, for they know that even in the worst-case scenario they will not be fired but relocated [ to other cooperatives]’. We can call this attitude *the principle of secure membership and employment, which is mainly what binds the worker-member-owners to Mondragon, namely, job security*.’ (my emphasis). This observed principle must be viewed in the context of ‘this age of precarious, temporary work’ (Heras 2014: 658). The author refers to Prieto and Miguélez<sup>450</sup> (2009) arguing that ‘the true issue underlying the employment crisis arises from precariousness and instability. In short, going beyond circumstantial eventualities, *what seems to have a decisive influence on the prominent role of the principle of a guaranteed job is the influence of the structural crisis on stable employment, which has prevailed now for decades in the geographical area where Mondragon developed. It is a principle that seems to encourage most workers to remain quiet and compliant in a system that gives them limited ways to participate*.’ (my emphasis).

In section ‘*Discussion: paradoxes within, coherence outside*’ (Heras 2014: 656-658) the author points at the predominant view of the interviewees perceiving the BCP of Mondragon ‘as part of the organization’s *rhetoric*, as a representation of the formal macro-organization that is Mondragon – mainly of the Corporation, rather than the original cooperative. This is *talk* that is detached from daily decision-making and

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449 Agirre, N., Azkarraga, J., Elio, E., et al., 2001. *Lankidetza. Arizmendiarietaren eraldaketa proiektua. Mondragón: Lanki.*

450 Prieto, C., and Miguélez, F., 2009. ‘*Trasformaciones del empleo, flexibilidad y relaciones laborales en Europa*’, in: *Política y sociedad* 467(1): 275-87.

actions. Moreover, in the fieldwork, one can clearly see what was discerned years ago by Cheney (1999, 2005), when he pointed out that the value commitments of the founding generation, such as the culture of sacrifice or the culture of solidarity, have come to be seen as outdated by the younger *socios*. These are workers with a more individualistic perspective on career and values, especially those who have had no family ties either with the community or the experience.'

Respondents 'value the participation and self-management within their own organizations, but there is clearly a hint of disillusionment along the lines detected by Greenwood et al. (1989) more than two decades ago, 'like a familiar refrain', (Greenwood et al., 1989: 112,113). Disillusionment is sprinkled with a heavy dose of idealizing the past and maybe even nostalgia. Furthermore, the fieldwork detected a clear disinterest, weariness, and even neglect regarding the dialectics of balance between the economic and social dimensions of the system as presented by Greenwood et al. (1989), Taylor (1994), and Cheney (1999, 2005), among others. For instance, Greenwood et al. (1989) demonstrate in their study that members speak of *the differences existing between what is and what they hope for. (my emphasis)*. In other words, there is a desire and will to improve and the conviction that improvement is possible. Despite these difficulties, 'the aspiration to be a member and the hope persists that, by means of dialogue, there will be a change toward a greater degree of participation' (Greenwood et al., 1989: 131). *However, this discourse is not confirmed by our fieldwork where a prevailing discourse of desperation, disillusionment without involvement and blame-placing disappointment is indeed found. The discourse that is common among socios fundamentally places blame on the senior management of their own cooperative or the actual Corporation. It is a discourse that perhaps resembles more a rhetoric of abandoning the cooperative spirit than a rhetoric of disillusionment.'* (my emphasis, Heras 2014: 657).

Notably this last sentence reveals, I would argue, a devastating assessment by *socios* of the actual practicing of Arizmendiarieta's original principles and values. To use the term 'degeneration' in this context could be viewed as an understatement.

Talking about 'a rhetoric of abandoning the cooperative spirit' Heras excites a similar 'moribund' atmosphere like we will encounter in the narratives of Mondragon's founding fathers, when discussing Joseba Azkarraga's discourse analysis of these erstwhile close collaborators of Arizmendiarieta.

In section '*Concluding remarks*' the author points at the erosion of the cooperative spirit. 'This erosion may perhaps be part of the phenomenon of cooperative degeneration and the limited development of the ideological and socio-educational aspect of the cooperative

mindset stressed by Sarasua<sup>451</sup> (2010). *'However, this decoupling and erosion should be analyzed taking into account the social environment in which alternative organizational forms such as Mondragon are embedded (my emphasis)*. So, in the case of Mondragon, we may ask, 'What happened to that social humus that Weber referred to during his visit to the Basque Country?' The erosion of that soil would appear more evident in the *individualization process of the post-modern globalized society (my emphasis)* and would seem to affect, to a greater extent, alternative organizational forms such as Mondragon's. Most of the worker-member-owners – especially the newer generations – remain quiet and compliant because they find no stimulus to participate in an organizational context where, as in the social context, the communitarian tradition has been deeply eroded. As Sennet (2012) has recently stressed, cooperation has been shaped by, among other factors, managerial discourse, which in turn appears to be omnipresent. *[M]anagerialism from the 'inside'(Cheney, 2005), but also from the 'outside'(my emphasis)- with the aforementioned pressure of the dominant regimes – would seem to have influenced the reshaping of the concept of participation within Mondragon's cooperatives.'* (Heras 2014: 659).

Heras' final remark regards to the 'perhaps main practical implication of his work for Mondragon and for other experiences that are seeking to replicate this inspiring alternative to business as usual'. He proposes *'that there has to be an active, continuous, and self-critical safeguard policy, aimed at preventing the disconnection of the basic or foundational organizational principles from their daily practice(my emphasis)*. For those alternative organizational forms' day-to-day shared principles need to be more than a mere mechanism to achieve organizational coordination. Those principles and values are more than a means to an end: they are an end in themselves.' (p. 660).

***Theorizing and historical contextualizing beyond the 'degeneration thesis'. Iñaki Heras' research briefly (re)viewed through a macro cultural psychological lens.***

Leaving aside the limited clarifying value of Heras' distinguishing two 'broad academic traditions or dominant approaches to the Mondragon Cooperative Experience', my macro cultural psychological approach clearly fits in the tradition that 'recognizes and tries to analyze the tensions, lack of consistency, and internal paradoxes' of the Mondragon Cooperative Experience. Having said this, it must be emphasized that my distinct approach to key concepts like (economic) democracy, cooperation, solidarity, the role of the State, ideology, the role of the Church (particularly in the context and role of Mondragon's founding father and inspirer, don José María Arizmendiarieta during his lifetime in Mondragon, coinciding with the Franco regime) sharply contrasts to Heras' approach. While both 'lenses' could be categorized in the same 'broad traditions',

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451 Sarasua, J., 2010. *Mondragon En Un Nuevo Siglo, Síntesis reflexiva de la experiencia cooperativa*. Eskoriatza: Lanki Ikertegia.

that is, belonging to a 'critical' tradition, substantial ontological, epistemological, and methodological differences can be identified. Referring to my comments on the proposed (not adopted by them) 'power-aware and politically-informed approaches' of Bretos, Errasti and Marcuello, the work of Heras theoretically follows a similar 'mainstream' path.

In contrast to Heras' 'affirmative critical'<sup>452</sup> (Türk 1995: 88) approach to Mondragon's discourse and practice, drawing on my macro cultural psychological and cultural political economic perspective, my work on the Mondragon cooperative experience takes Marx's *critique of political economy* as a primary reference point. Besides and complementary to Marx (and Engels) as primary sources, my theoretical perspective heavily draws on basic insights of psychologist Lev Vygotsky and related critical psychological scholars like notably Carl Ratner or Klaus Holzkamp.

Striking theoretical-conceptual similarities can be identified in the work of distinguished researchers like Marcuello, Bretos and Errasti who conducted research regarding, for instance, Mondragon's multinational expansion and employment practices linked to Mondragon's alleged 'de/regeneration', and the work of scholars like Azkarraga or Heras focusing on analyzing Mondragon's discursive practices. Viewed from my theoretical perspective, their main, conceptual resemblance can be harked back to their Weberian, that is, anti-Marxian inspired analysis of the present problems facing the Mondragon 'coopitalist' (Errasti) co-ops. Notably Joseba Azkarraga is very clear about his pro-Weber and anti-Marx approach. In his dissertation he grounds his discourse analysis of Mondragon's co-founders in Max Weber's theorizing of rationality and bureaucracy. Thereby dismissing, out of hand, that is, without providing any substantial ontological, epistemological, methodological, or normative argument, other than his preference of the Weberian approach, a Marxian class based, value oriented, historical materialist and dialectical analysis. I will return on this issue in a moment. For now, the similar, basic assumptions of the just mentioned researchers (considered to be representative of the mainstream 'critical' approach as categorized by Iñaki Heras) will be outlined.

### ***Mondragon's de(re)generation: a Weberian versus Marxian inspired analysis.***

In spite of their different wordings, the 'critical approach' mainstream researchers actually expose a fundamental consensus about the so-called TINA principle, 'there is no alternative' (to the capitalist mode of production, the capitalist social system). Whether talking about 'to grow or die' (Bretos and Errasti), or 'to surrender to reality' (Sarasua) or, indeed, simply 'there is no alternative, we have to accept the capitalist logic' (Azkarraga citing the co-founders), they all confirm their approach being a form

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452 See Türk, K., 1995. "Die Organisation der Welt. Herrschaft durch Organisation in der modernen Gesellschaft. Opladen: Westdeutscher Verlag.

of ‘affirmative critique’ (Klaus Türk<sup>453</sup> 1995: 88) or, as elucidated by Nancy Fraser in her ‘Unruly Practices’<sup>454</sup>, adopting a non-oppositional form of ‘needs talk’ or discourse. As Klaus Türk writes: “*Wer von Organisation in Begriffen wie “stahlhartes Gehäuse der Hörigkeit” oder “Unentrinnbarkeit” (wie M. WEBER) spricht, lähmt bereits das Denken jeglicher Alternative, betreibt somit in der Konsequenz affirmative Kritik.*” (Türk 1995: 88). Indeed, Max Weber’s deep pessimist attitude regarding the ‘possibility to ever create an alternative, empowering form of (labor) organizations can be identified in mainstream ‘critical’ approach, let alone in the perceptions and discourse of even numerous socios, members of the Mondragon cooperative ‘community’.

As explained by scholars like Ernest Mandel, Ellen Meiksins Wood, Kieran Allen and Jan Rehmann, the writings of Max Weber, hailed as one of the ‘founding fathers’ of sociology, expose serious, fundamental shortcomings. For the purpose of this monograph, my focus will be on Weber’s theorizing capitalism, modernization, rationality, democracy and bureaucratization. First, let me focus on Max Weber and democracy, interrelated to his conceptualizing bureaucracy. As argued by Ernest Mandel in his work on a Marxist Theory of Bureaucracy<sup>455</sup>, for Max Weber ‘the essence of bureaucracy lies in the command hierarchy.’ The basis of power shifts away from personal towards administrative action. Bureaucracy assumes considerably greater performance than earlier administrative forms: ‘More and more the material fate of the masses depends upon the steady and correct functioning of the increasingly bureaucratic organizations of private capitalism. The idea of eliminating these organizations becomes more and more utopian.’<sup>456</sup> This has sometimes been expressed in the formula of ‘technological-organizational fatality’ (*Sachzwang*). Mandel continues: ‘Weber’s theory, despite all its critical aspects, is thus in large measure a defense and apology for bureaucracy. Without doubt it provides an accurate account of how bureaucratic apparatuses function – many aspects of which had already been developed in Marx’s early writings with which Weber could not have been familiar. But Talcott Parsons and other sociologists have indicated a number of weaknesses in the analysis. Mandel points at ‘bureaucratic apparatuses do not operate in a social vacuum. What is ‘rational’ and ‘efficient’ for one social class or layer might be quite contrary to the interests and feelings of another.’ (Mandel 1992: 181).<sup>457</sup>

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453 *Ibid.*, p. 88.

454 Fraser, N., 2007. (Originally published 1989). *Unruly Practices. Power, Discourse and Gender in Contemporary Social Theory*. Cambridge (UK): Polity Press.

455 Mandel, E. 1992. *Power and Money. A Marxist Theory of Bureaucracy*. London – New York: Verso.

456 Quoted by Mandel from *Wirtschaft und Gesellschaft*, pt. 3, Ch. 6, in: *From Max Weber: Essays in Sociology*, eds. H.H. Gerth and C. Wright Mills, London, 1970, p. 229.

457 This issue has been clearly demonstrated in the contrasting views of Mondragon’s co-founders and Marxist-oriented activists within the Social Councils, see Azkarraga (2006), p. 892.

*'Moreover, as Meyer, Stevenson and Webster have pointed out, for Weber efficient administration requires that the public should have little influence over state bureaucracies – a position inconsistent with any definition of democratic government save Weber's own.'* (Mandel 1992: 182).

This assessment of Max Weber and his vision of *democracy* linked to state bureaucracies shows a striking similarity to Friedrich Hayek's problems with democracy, as elucidated in Lars Cornelissen's dissertation on the incompatibility of neoliberalism and democracy (2018).<sup>458</sup> Democracy, according to Arizmendiarieta, Mondragon's founding father himself, being one of the '*constantes*' of his cooperative 'movement', at the same time being a *problematic* element of Mondragon's initial as well as subsequent periods in its history, in my view urgently requires a critical rethinking of this alleged constitutive moment of Mondragon's ideology. In this theoretical and historical context, the Weberian, '*affirmative critical*' mainstream approach to that ideology does not seem very helpful to explain Mondragon's 'de(re)generation'.

Ernest Mandel, after having pointed out some criticisms of Weber's work, like his flawed conception of democracy linked to state bureaucracies, comes to the 'more essential failure' of his theorizing rationality and bureaucracy. '*Max Weber assumes that bureaucratic rule is inherently rational. And that is not the case. Bureaucratic rule implies a combination of partial rationality and global irrationality, which exactly reflects the parallel combination in market economy and generalized commodity production – that is, capitalism itself – with whose historical rise the bureaucratic systems are closely bound up.* It expresses the necessity of a more rationally functioning state to protect the interests of property-owners, one that will assure legal security, non-arbitrary use of monetary systems, safeguards against economic policies that hinder the free flow of commodities, and so on. *But these increments in rationality, for each person, firm or state taken separately, lead to a historically increasing irrationality of the system (the world) in its totality. And of that Weber is not aware.'* (Mandel 1992: 182).

Following Mandel's historical materialist, critical assessment of Weber's theory of bureaucracy, we can identify the vicissitudes of Max Weber's theory, notably at the time when 'organized capitalism' seemed to be all-powerful – that is, during the long wave of expansion following the Second World War. According to Mandel, during this period Weber's theory of bureaucracy reached its greatest popularity. 'This post-war Weberianism in politics and sociology corresponded to triumphant neo-Keynesianism in the field of economic policy. State intervention through expert bureaucrats was supposed to guarantee forever full employment, economic growth, rising standards of living, social peace, a real brave new world.' (Mandel 1992: 185). Viewed in the historical context of the

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458 Cornelissen, L., 2018. *The Market and the People. On the Incompatibility of Neoliberalism and Democracy*. Dissertation University of Brighton.

Mondragon co-ops, this regards the episode of the neoliberalizing of Franco's corporatist economic policy, largely guided by *Opus Dei* technocrats up to the first years of the 'Socialist Decade' (Holman), termed 'the societal corporatist' period. Referring to the theoretical perspective as outlined in Part One of this monograph, this time can be linked to Arizmendiarieta's conceptual framework after his being 'converted' to democracy since the mid-1940s. According to Joxe Azurmendi since that time Mondragon's founding father could be called a 'laborist/Socialist'. I would prefer the label 'social democrat', or, in the word used by Ernest Mandel, a 'gradualist'.

After the crisis in Keynesian politics and economic policies, Mandel refers to as 'a general crisis of bourgeois social relations culminating in May 1968' illusions in the rationality of state intervention started to wane. 'But the apparent recourse to 'the free market' did not solve any of the fundamental problems; it even heightened them. 'Organized capitalism' turned into 'disorganized capitalism'. *Weber's theory cannot explain that. Marxism can.*' (Mandel 1992: 185).

Complementing my assessment of the 'affirmative critical' approach of mainstream scholars like Azkarraga, Bretos, Errasti, Heras (and several others), I now would bring to the fore key moments of Jan Rehmann's thorough scrutiny of Max Weber's approach to modernization and his anticipation of the rising new formation of Fordism. Rehmann's Gramscian approach results in the subtitle of his volume<sup>459</sup> '*Modernization as passive revolution*'. Jan Rehmann discerns in Weber's 'political stance' 'a project of attaining hegemony that consists of two interrelated components: that of separating the bourgeoisie from its Caesaristically mediated alliance with the agrarian class (the Junkers) and that of integrating the upper strata of the working class into a modernized 'rational' capitalism. 'The more clearly the defeat of the ruling power bloc announced itself during the First World War, the more clearly the contours of a new class alliance emerged in Weber's analyses: an alliance between capitalists and the labor aristocracy, whose common interest, according to Weber, is that of the 'greatest possible rationalization of economic labor'. This 'industrial-productive bloc', as Gramsci will go on to call it in his analyses of Fordism, is not just meant to replace the Junker-bourgeois class compromise of the Wilhelmine period, but also to pre-empt the danger of the formation of a socialist bloc of workers, peasants, and soldiers. The same Weber who denounces the subordination of the bourgeoisie to the aristocracy propagates the subordination of the labor movement to the class interests of the bourgeoisie.' (Rehmann 2015: 8). So, Weber is the critic of a German passive revolution that maintains the bourgeoisie in a state of political and cultural subalternity vis-à-vis the agrarian class; at the same time, he represents what was in his day the most modern variant of a passive revolution against the socialist labor movement. He looked to the well-paid 'Yankee worker', who had adopted

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459 Rehmann, J. 2015. *Max Weber. Modernization as Passive Revolution*. Chicago, IL: Haymarket Books.

the forms of bourgeois society in full. The bourgeois-proletarian industrial bloc Weber propagated would then go on to constitute the hegemonic core structure of mature Fordism, up until the latter's crisis in the 1970s. *In the interest of such a bloc, Weber calls on the bourgeoisie to recognize the reality of 'class struggle' and recast it as an 'orderly', purely economic struggle. His model of integration by means of a circumscribed conflictuality correlates with what political theory describes as the transition from 'state corporatism' to 'societal corporatism' that transfers the regulation of social antagonisms from the state to the representatives of the economic classes.*<sup>460</sup> (Rehmann 2015: 10).

This Gramscian perspective on Max Weber perfectly fits my own theoretical perspective as outlined in Part One. Including Rehmann's hypothesis regarding the Fordist perspective having determined the arrangement of Weber's material on the history of religion in his comparative *Economic Ethics of the World Religions*, thereby applying the method of retaining only the 'passive' aspect of a revolution and eliding the struggle by which a new ethical-political system develops. 'The fundamental difference between Weber's sociology of religion and Marxist-inspired or liberation-theological approaches is to be sought in this cropping of the subject matter; it consists in a perspective of inquiry that eliminates from the subject matter's definition the 'sigh of the oppressed creature' and 'protest against real suffering'. My incorporation of the work of Martín-Baró, intimately related to Carl Ratner's macro cultural psychology, comparing this approach to the *contrasting* Arizmendian-Mondragon approach, illustrates the striking similarities between Rehmann's reading of Max Weber and my own perspective. At the same time, this similarity highlights its contrast to the divergent perspective of what I would call the 'affirmative critical' approach of numerous mainstream researchers investigating the 'de(re)generation' of Mondragon co-ops. A key point concerns Weber's pro-capitalist position and his problematic vision on democracy (and solidarity).

Particularly drawing on the incisive critique of scholars like, for instance, and among many others, Mandel<sup>461</sup>, Rehmann<sup>462</sup>, Meiksins Wood<sup>463</sup> or Allen<sup>464</sup> on the work of 'the organic intellectual of capitalism and imperialism', Max Weber, brings me to denounce

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460 Schmitter, Ph., 1979. [1974]. 'Still the Century of Corporatism?', in: *Trends Toward Corporatist Intermediation*, ed. by Philippe C. Schmitter and Gerhard Lehmbruch. London: Sage.

461 Mandel, E., 1992. *Power and Money. A Marxist Theory of Bureaucracy*. London-New York: Verso.

462 Rehmann, J., 2015. *Max Weber. Modernization as Passive Revolution. A Gramscian Analysis*. Chicago, IL.: Haymarket Books.

463 Meiksins Wood, E., 2016, (first published 1995). *Democracy Against Capitalism. Renewing Historical Materialism*. London-New York: Verso

464 Allen, K., 2017. (First published 2004 as *Max Weber: A Critical Introduction*). *Weber. Sociologist of Empire*. London: Pluto Press.

the mainstream approach. In my view, particularly its so called neutral, a-political, and a-historical line of thinking is fundamentally flawed and incapable to explain the *original contradictions* in Mondragon's cooperative ideology and practices. Basically, the mainstream researchers *reproduce* Arizmendiarieta's so called a-political and empowering and emancipatory capacities. In contrast to *reproduce* the Arizmendian, Personalist inspired ideology and practices, I propose to *reconstruct* Mondragon's cooperative experience, drawing on a radical, cooperative conceptual framework.

Before proceeding to the next step in my 'backward history' of the Mondragon Cooperative Experience, let me resume the main *empirical* findings of recent research projects on the 'de-and/or regeneration' of the Mondragon Cooperative Experience.

If we might take the Basic Cooperative Principles (BCPs) literally as the 'heart' or 'the point of departure' or as defining the specific features of Mondragon's 'cooperative culture' and use these as point of reference to the empirical *description* of Mondragon's present problems and challenges, a number of observations can be made.

1. There is a widely shared feeling of '*erosion of the main cooperative principles*' among Mondragon's *socios*, particularly in regard to the principle of workplace democracy.
2. There is solid empirical evidence of the *decoupling* between the organization's policy and notably Mondragon's *rhetoric* and its day-to-day *practices*.
3. *Value commitments of the founding generation*, such as the culture of sacrifice or the culture of solidarity, *have come to be seen as outdated by the younger socios*.
4. The prevailing feeling among notably the younger *socios* seems to be that *the degeneration* of the democratic principle *is necessary* for the experience to continue to be viable.
5. There is a mainstream discourse that the 'Democratic Organization Principle' constitutes 'merely formalism in day-to-day activity', '*a fictitious democracy* that is conspicuous by its absence'.
6. Evidence is provided for a prevailing discourse of desperation, disillusionment without involvement and blame-placing disappointment. This discourse perhaps resembling more a *rhetoric of abandoning the cooperative spirit* than a rhetoric of disillusionment.
7. The *conventional (i.e., weak)* culture of employee participation - rather than *the strong* worker participation - appears to have prevailed in the Mondragon corporations.

8. Regarding the 'Education Principle' evidence is obtained from the fieldwork of a *systematic deficit in cooperative training* in Mondragon.
9. The empirical work observed the principle of *secure membership and employment*, job security, as the main factor binding worker-member-owners to Mondragon.
10. A *mainstream popular managerial discourse* is identified in most of the member-cooperatives, a discourse disconnected from the discourse in the Corporation.
11. Evidence is provided that cooperatives can mobilize resources to '*revitalize cooperative values and practices*'.
12. This 'regeneration' may not occur in a consistent, sequential fashion, rather occurring simultaneously with 'degenerative tendencies', even leading to '*long-lasting, unresolvable situations*'.

### **10.5 Reflections on the Future of the Cooperative Experience**

This 'landmark event in the Mondragon Cooperative Experience history' (Azkarraga et al.<sup>465</sup>, 2012: 82) constitutes an important element in my 'periodizing' Mondragon's history. It can be viewed as a 'precondition' to the 'results' as just outlined by way of the empirical findings of research by a number of mainly Basque scholars. Following a methodology of studying history 'backward', this unprecedented, intensive reflection process within the 'Mondragon community' builds a decisive steppingstone in tracing back the root causes of Mondragon's present problems and challenges. To understand the actual problems Mondragon is facing, we have to carefully analyze this '*debate about ideas*' (Azkarraga, 2012).

For my critical review of this self-reflection process, I will take two texts as point of departure. First, the article just mentioned, published by three experts on workers' participation in general, and on the 'Mondragon experience', Joseba Azkarraga Etxagibel, George Cheney and Ainara Udaondo, in the volume titled '*Alternative Work Organizations*' edited by Maurizio Atzeni. Drawing on their deep knowledge of the Mondragon cooperatives, the authors' rather detailed account of this 'landmark event' regarding the debate about Mondragon's ideas on its past, present, and future 'in a globalized market' provides us valuable insights from a mainstream viewpoint. Second, this textual

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465 Azkarraga Etxagibel, J., George Cheney, and Ainara Udaondo, 2012. *Workers' Participation in a Globalized Market: Reflections on and from Mondragon*. In: *Alternative Work Organizations*, Maurizio Atzeni (ed.), New York and Basingstoke: Palgrave Macmillan.

source will be combined with the 'Empirical Part' of Azkarraga's doctoral thesis<sup>466</sup> on the 'Mondragon Experience', focusing on the 'Analysis of the founders' discourse' (*Análisis del discurso de los fundadores*).

Combined with his doctoral thesis on the 'Mondragon cooperative experience', this article (co-authored by George Cheney and Ainara Udaondo) of Joseba Azkarraga Etxagibel is a must-read for anyone trying to understand the complexities of this 'self-reflection process' being part of that cooperative experience. Like the classic work of Joxe Azurmendi on the thoughts of Arizmendiarieta, *El Hombre Cooperativo*<sup>467</sup>, Azkarraga's meticulous investigations of the Mondragon cooperative 'movement', his analysis of its founders' discourse included, constitute an invaluable departing point for my own critical approach. It provides a clear insight of the original cooperative 'Arizmendian' cooperative philosophy and exposes a specific approach to the assessment of the Mondragon cooperative experience that could be viewed representative of the conventional, mainstream approach to that experience.

Indeed, the '*Reflections on the Future of the Cooperative Experience*' (RFCE) could be termed 'a landmark event', or maybe better a landmark 'process', in Mondragon's history. Being a sort of link between the past, that is, the period ranging from the outset till about 2005/6, and the future, that is the period from these years till the present days. A process of 'reflections by cooperative members about themselves, the past and the future of the Mondragon cooperative movement, considering in particular barriers to and mechanisms for enhancing horizontal control, and genuine participation in decision making by members.' (Azkarraga et al., 2012: 82).

### ***Widely varying views on the Mondragon Cooperative Experience.***

In the *Introduction* of their article, the authors, Azkarraga, Cheney and Udaondo, refer to the 'mythical status' the MCE has taken in some circles, 'especially in commentaries over alternative economic and organizational forms (see, e.g., Whyte and Whyte<sup>468</sup>, 1991). 'Curiously, or perhaps not so surprisingly, Mondragon is described by some commentators

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466 Azkarraga Etxagibel, J., 2006. *Identitate kooperatiboaren bilakaera: Arrasateko kooperatiba esperientzia, Doctoral Thesis University of the Basque Country (UPV-EHU), Atal Enpirikoa, Análisis del discurso de los fundadores, pp. 719-1037.*

467 Azurmendi, J., 1984. *El Hombre Cooperativo. Pensamiento de Arizmendiarieta. Caja Laboral Popular: Lan Kide Aurrezkia.*

468 Whyte, W.F. and Whyte, K.K., 1991. *Making Mondragon, 2<sup>nd</sup>. Ed. Ithaca, NY: Cornell University Press.*

as a utopia, by others as a sell-out of democratic ideals (compare, e.g., Morrison<sup>469</sup>, 1991; Kasmir<sup>470</sup>, 1996).

Indicating their own position in this debate, the authors write: (p. 77) '*In reality, neither version of the experience can be sustained argumentatively, although both narratives hold certain elements of truth (Cheney, 1999<sup>471</sup>, 2002). A more balanced view sees the MCE as a genuine, though inevitably limited, attempt at realizing a long-term business venture with profound social and political, as well as economic values, in mind. On a more practical level, such a commitment implicates sophisticated models of management, highly participative techniques, transparent communication (in all directions), enhanced coordination and cohesion, and with attention to collective as well as individual goals (Azkarraga<sup>472</sup>, 2007).*'

According to the authors, 'the key dimensions of Mondragon's emergent cooperativism from the early 1940s can be outlined as follows. In explicit terms, the origins of Mondragon concerned three important questions on the conduct of business: ownership; direction or authority; and the distribution of profit. In turn, all three questions have their bearing on actual participation. In more specific terms, the principles of Mondragon sought to enact a strong blend of economic and 'political' or decisional ownership for all workers, putting real and sustained power in their hands. Even more dramatically, the cooperatives began with a vision that included contributions to the community, to the common development of the area and to social justice. This represented the external commitment of the cooperatives. Ultimately, the Mondragon vision placed a premium on self-management that would apply not only to the internal workings of the firm but also to the larger society in which the cooperatives operated and were sustained (e.g., Azkarraga, 2007).'

In their brief presentation of 'historical details' the authors point at the fact that 'during their first two decades (1956-1976), the cooperatives experienced tremendous business growth, ironically benefitting from certain tax laws that favored cooperatives because of Franco's commitment to Catholic agricultural cooperatives in the south of Spain, and because there was a reasonably open market for industrial production within Spain due to its relative international isolation.' (p. 78).

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469 Morrison, R., 1991. *We Build the Road as We Travel*. Philadelphia, PA: New Society Publishers.

470 Kasmir, S., 1996. *The Myth of Mondragón*. Albany: State University of New York Press.

471 Cheney, G., 1999[2002]. *Values at Work: Employee Participation Meets Market Pressure at Mondragón*. Ithaca, NY: Cornell University Press.

472 Azkarraga, J., 2007. *Mondragon ante la globalización: la cultura cooperativa vasca ante el cambio de época*. *Eskoriatza, Gupuzkoa, Cuadernos de LANKI, no. 2, Mondragon Unibertsitatea*.

*Expansion and transformation of the Basque cooperatives. Effects of globalization and Spain joining the EEC in 1986.*

After the end of Franco's regime in 1975, and the sanctioning of the new democratic constitution in 1978, the '1980s witnessed an expansion and transformation of the MCE, as the Basque cooperatives faced the effects of Spain joining the European Economic Community in 1986. The 1990s – especially 1992 in Europe – featured significant globalization. The cooperatives had to adapt to a wider competitive market, particularly for industrial and household products, and they chose to import some managerial regimes from other parts of the world (see Cheney, 1999, 2006). The authors are referring here to a transformation process of the 'Mondragon experience' which would be characterized by Errasti, Heras, Bakaikoa and Elgoibar like '*more of a mutation than of simple adaptation, a qualitative leap involving changes in value systems and a cultural rupture with radical transformations taking place*'.<sup>473</sup>

According to Azkarraga et al. the responses to recent globalization processes and pressures at the end of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup> century have meant 'substantial, visible changes for the Mondragon cooperatives. 'In terms of structure and reach, the Mondragon cooperatives gradually extended production and sales to a variety of countries and continents – often through strategic acquisitions, in addition to pursuing numerous business partnerships with other different types of business players, and the establishment of commercial delegations and industrial plants (often acquired) in numerous countries around the world, including in the Americas. Moreover, there are now non-cooperative enterprises at the heart of the group (my emphasis), which has increased the number of non-owning employees/members, as well as the number of temporary workers (Errasti et al., 2003). The overall organizational fragmentation and geographical dispersion led to an increase in complexity and scale, which in turn has diminished what might be called authentic democratic decision-making processes. (For

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473 See 'The Internationalisation of Cooperatives: The Case of the Mondragon Cooperative Corporation', article in: *Annals of Public and Cooperative Economics* (2003, Vol. 74(4), 553-584.

relevant reviews see Cheney<sup>474</sup>, 2006; Azkarraga<sup>475</sup>, 2007; Williams<sup>476</sup>, 2007; Altuna,<sup>477</sup> 2008; Sarasua<sup>478</sup>, 2010.).

In addition to these 'diminished authentic democratic decision-making processes' the authors point at 'the cooperatives' organizational cultures certainly having *become more individualistic, more consumerist, and generally more utilitarian* (my emphasis, see Azkarraga, 2007, 2010).'

Especially, Cheney found, over the course of the 1990s, a major part of this shift was embodied in the master symbol of 'customer service' – both inside and outside the cooperatives. (Azkarraga et al., 2012: 79). The cooperatives themselves 'imported managerial regimes that privileged constant orientation towards the customer/client'.

Furthermore, the authors emphasize that 'all these trends are important for understanding the internal functioning of the cooperatives as well as their larger social, political, economic, and environmental contexts. *Perhaps the first, and most important, principle of the Mondragon cooperatives – though not always explicit in MCE documents – has always been business success in the market* (my emphasis). From a broader social standpoint, it is this financial success that makes it possible to carry out the project of societal transformation supported by the cooperative movement (if we may call it that, at least loosely).'

This 'project of societal transformation' could be understood as 'a collection of social as well as economic commitments and processes (the generation of employment, the equitable distribution of wealth, the return of some surplus to the larger community, with all this being created through private/communitarian firms that are democratic and participative). (Azkarraga et al., 2012: 80).

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474 Cheney, G., 2006. *Democracy at work within the market: Reconsidering the potential*. In V. Smith (Ed.), *Research in the Sociology of Work, Vol. 16: Worker Participation: Current Research and Future Trends* (pp. 179-203). Oxford : Elsevier.

475 Azkarraga, J., 2007. *Mondragon ante la globalización: la cultura cooperativa vasca ante el cambio de época*. Eskoriatza, Gipuzkoa, Cuadernos de LANKI, no. 2, Mondragon Unibertsitatea.

476 Williams, R.C., 2007. *The Cooperative Movement: Globalization from Below*. Aldershot, UK: Ashgate.

477 Altuna, L. (Coord.), 2008. *La Experiencia Cooperativa De Mondragon: Una Sintesis General*. Eskoriatza, Gipuzkoa: LANKI – Mondragon Unibertsitatea.

478 Sarasua, J., 2010. *Mondragon en un nuevo siglo. Síntesis reflexiva de la experiencia cooperativa*. Cuadernos de LANKI, no. 3, Mondragon Unibertsitatea.

'In this sense, the cooperative movement of Mondragon has been necessarily pragmatic, alert to the powerful and dynamic demands of the market (Azkarraga, 2007). At the same time, the cooperatives are committed to maintaining their social system and cooperative identity, in an increasingly globalized economy.'

***The context of and agenda for Mondragon's self-reflection process.***

According to these authors 'a key theoretical as well as practical question is how to reinvigorate and perhaps transform participation in a way that recognizes the internal and external changes which have occurred yet takes the best of local and global knowledge to bring employee decision making and commitment again to the forefront of everyday business practices.' In regard to this last-mentioned aspect of the 'Mondragon experience' we could consider the quote of Antonio Cancelo, the then President of the MCC Corporation, presented by Errasti et al.<sup>479</sup>, "The model we end up with, wherein numbers of cooperativists are proprietors of a group of companies employing a majority of contracted workers, subject to the legal requisites of their respective countries, *distances itself, to the point of being unrecognizable, from the founding project.*" (Cancelo<sup>480</sup>, 2000), my emphasis.

The 'theoretical as well as practical' question mentioned by Azkarraga et al., against the background of the Cancelo-quote presented by Errasti et al. would shape the context and set the agenda for the process of self-reflection set in motion in 2005. The key questions of this process would subsequently happen to be considered ever since, till the present days, as we have seen in the reviewed accounts of the present 'state of Mondragon'.

***The 'Reflection on the Meaning and Future Directions of the Cooperative Experience'. A debate reconsidered from a macro cultural psychological perspective.***

In Azkarraga's and his co-authors' view this 'institutional, broad-based reflection process was a landmark event in the MCE's history, for two reasons: *quantitatively*, in that all the social bodies from practically all the cooperatives took part; and *qualitatively*, by inviting ideas that transcended the business challenges immediately on the table. The fact that this process began before the 2007 global recession is also extremely important. Overall, this was, and is, a debate about ideas – probing the major topics of decision making and participation, cooperative education, and interaction between cooperative employee participation and socio-political participation in the wider community. In Pateman's vision (Pateman, 1970), which indeed parallels that of many leaders at Mondragon, past and present, the interdependence between community, national and economic participation,

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479 Errasti, A., Heras, I., Bakaikoa, B., and Elgoibar, P., 2003. *The Internalisation of Cooperatives: The Case of the Mondragon Cooperative Corporation*. In: *Annals of Public and Cooperative Economics*, Vol. 74(4), 553-584.

480 Cancelo, A., 2000. "Globalización y Señas de Identidad", *TU Lankide*, May, Arrasate.

and the creation of opportunities for direct democracy are considered as vital.' (Azkarraga et al., 2012: 82).

To develop my reconsidering this process of self-reflection, I would first like to follow the rather detailed outline of that process, presented by Azkarraga, Cheney and Udaondo.

The process of reflection (RFCE) originated according to these researchers with a core concern 'that was expressed plainly at the Mondragon Cooperative Congress in May 2003.' Citing a report of the 'Permanent Commission of Mondragón' (2003) they write: *'There has been a movement towards conventional commercialism, and towards topics that are not aligned with our authentic identities as cooperators.'* ... [T]he German theologian Juan Bautista Metz noted that in present day Europe it is not religion that transforms the bourgeois society; rather, it is more the bourgeois society that reduces and detracts from the best part of the Christian religion. *Could something like this be happening to us with respect to our principles? Are we moving away from the original purpose of cooperative experience, which was to model a more cooperative and caring type of person? Are we forgetting the great force of the education, to nourish the values sustaining our cooperativism? We therefore ask if now is the time for a real debate about these issues.'* (Azkarraga et al., 2012: 83).

Besides a widely expressed desire to reflect on the meaning and direction of the Mondragon cooperative experience, there was the charge by some attendees of 'a lack of debate over cooperativism within the Mondragon group and a corresponding need for empirical analysis of the extent and limits of participation today.'

A series of meetings with all the presidents of Mondragon cooperatives produced the following set of observations:

- 1) There has been a loss of explicitly cooperative identity; that sense has diminished as the corporation has grown and has been especially felt since Mondragon has become truly global in its holdings.
- 2) It is necessary to update or renew cooperativism (as a broad set of commitments, including equality, solidarity, and participation) and cooperative identity (as a value-based brand) to make it more attractive, especially to younger generations.
- 3) People are deemed to be the main asset of the cooperative model, and participation needs to be supported at all levels of the organization. There is a broad acknowledgement that active participation beyond the sphere of one's job has diminished over the decades in the cooperatives, and both a historical review and a contemporary approach are needed to reinvigorate democracy within the cooperatives.

- 4) Social transformation, in the sense of support for community projects beyond the scope of the cooperatives themselves, should be pursued more vigorously towards a more thoroughly democratic society.

Thus, so the authors, 'in an important way, the entire set of concerns speaks of issues of participation.' They point at the first set of findings from the cooperative presidents being placed within the context of research on the MCE, carried out since 2001 by LANKI, the Institute of Cooperative Research of Mondragon University.

*'The findings converged on this imperative: the need to return to a shared feeling of belonging by worker-owners as well as active debate, in order to revitalize participation and the involvement of all cooperative members, especially considering specific avenues and parameters for decision making.'*(Azkarraga et al., 2012: 84).

With this goal uppermost in mind, a wide-ranging process of reflection and debate was opened to everyone in the various bodies (or organs) of the Mondragon cooperatives (i.e., governing councils, social councils and management councils). After the presidents' reports were offered, a larger cooperative debate was opened up, inviting contributions by all the members of all the 'organs' or councils of all the individual cooperatives. In total, there were 134 sessions involving more than 1300 socios or member-owners from the cooperatives.

'The reflection process took place between 2005 and 2006; it was finalized with a report submitted and approved by the 10<sup>th</sup> Cooperative Congress on 30 May 2007. Since then the recommendations of the report have been established and prioritized, guiding the lines of action of Mondragon.' (Azkarraga et al., 2012: 84).

For the deployment of the RFCE a diverse working group was established, consisting of members of the Mondragon group's standing committee (20 members, who played the role of facilitators in the meetings) and researchers from the LANKI Institute (8 members, who also carried out the role of facilitators, were in charge of the technical aspects of the process: that is, following up on the sessions, gathering and systemizing information, analyzing the results and preparing the final diagnosis). It was the cooperatives themselves who decided how to articulate the debate in their bodies. The meetings lasted about three hours and adhered to the following format. They began by offering a context for the process of reflection and outlining steps to be taken. Then, there was a presentation for each of the subject areas, followed by debate. Each of the topics was discussed along the lines of two questions:

1. *'Where are we'?* (diagnosis);
2. *'In what direction could we and would we like to go'?* (projection).

Based on the minutes of each meeting/debate, an extensive diagnosis was conducted of the concerns and proposals put forward in each of the areas debated. In a detailed report, the LANKI Institute presented a quantitative and qualitative analysis of data gleaned from the RFCE.

[T]he three major sections of the report, and indeed the entire process, were:

1. Participation and cooperation.
2. Cooperative education.
3. Social transformation.

According to the authors it was widely understood, from the start of this process, that the revival of the cooperative movement needed to consider these three main dimensions of the Mondragon Cooperative Experience. These three 'pillars' have historically supported the MCE. 'In the end, the MCE is an experience which aims to introduce democratic practices to the business world.

'In short, the creation of participative companies in which decision-making processes are regulated by democratic logic (an imperfect experience, but broadly relevant in the world of business and organizational democracy).' (Azkarraga et al., 2012: 86).

The central theme of the RFCE report, and indeed the MCE, is the question of participation, through both direct and representative democratic practices, and the sustenance of a broader cooperative culture.

### ***The principal conclusions from and implications of the reflection on the 'cooperative experience'.***

The authors resume the principal conclusions in three sections, first, reconsidering participation and cooperation, second, renewing the commitment to and engaging in a multi-dimensional approach to education, and third, extending the culture and network of participation and decision making beyond the organization.

- 1) Reconsidering participation and cooperation.

*'The tension between social and economic goals (my emphasis) – broadly speaking – is well understood, not only with respect to the MCE but also in many other contexts. The dynamics of large organizations, of bureaucratization and of corporate capitalism and marketization can militate against sustained attention to individual dignity and community wellbeing. In the very origins of Mondragon and embedded in its dual structure of leadership and governance, is just this tension (my emphasis). What we are*

calling a more 'political' orientation towards participation is the elevation of social goals and individual agency through the mechanisms of the councils. What might be called the 'technostructure', on the other hand, is oriented towards more immediate goals of profitability, service to the client or customer, and market share.' (Azkarraga et al., 2012: 87).

At a more concrete level, the authors continue, the tension is manifest in the debate over the incorporation of new socios, or worker-owners into the system from outside the Basque Country and even Spain. 'This is not an easy matter to resolve because of the way cooperative identity and local identity mix or conflict, especially where the 'Basqueness' of Mondragon is concerned.'

According to the authors, *internal factors* have played roles in the horizons of possibilities and limitations of participation in the cooperatives. They point at the following five tendencies identified by both participants in, and observers of, the Mondragon Cooperative Experience:

- 1) The deterioration of informal, non-technical communication within the cooperatives.
- 2) The relative inattention to more philosophical, political and social education (or 'formation' for socios or worker-owners).
- 3) The ossification of some channels of communication such that they no longer function with great degree of spontaneity and authenticity.
- 4) The presentation of decisions as *fait accompli* rather than as the results of processes in which there is a certain degree of involvement by socios.
- 5) The inevitable – that is, in terms of the problems outlined above – decline in job satisfaction, especially in the sense of identification with cooperativism.

These issues form 'a backdrop of concern and instigation for the RFCE process and outcomes.'

Regarding the theme of participation, receiving the greatest attention in the RFCE process, two key areas 'were flagged for attention: first, what do we want to preserve and maintain? Second, what should we alter and improve?

Four areas for preservation and maintenance stood out:

1. Democratic organization.

2. Participation at work.
3. Participation as a value in itself.
4. Cooperation between cooperatives (or what is known at Mondragon as 'intercooperation').

Most marked for 'conservation' and strengthening were the features of the classic organizational structure of Mondragon cooperatives, especially 'in terms of the dual structure (representation and management), one-person-one-vote in the general assembly, and roles of the various decision-making bodies.

Participants discussed various levels and senses of participation and desired changes:

- 1) *They looked to enhance the personal connection to cooperativism.* Many contributions focused on this level of cooperative functioning. A *motivational deficit*, a notable passivity among the members, was frequently observed. A great deal was said about the need to develop a feeling of belonging, especially in terms of interaction in day-to-day work processes.
- 2) *They sought to improve intracooperative institutional participation.* Many were clearly in favor of maintaining the cooperative system in its classic sense: featuring political-institutional participation, or cooperative democracy. Within this call for improving institutional participation, one concern became clear: the need to improve the operations of both the governing councils and the social councils, especially in terms of communication between them.
- 3) *They sought to promote participation at work (organizational area).* There were numerous calls for improvement in terms of participation at work. Most participants were clearly in favor of re-organizing work, such as: preferences for a less hierarchical organization of work, an organization based on autonomous work teams, and the need for cooperative members to draw up their own designs for management/participation/organization. This means a concerted effort to move beyond the legacy of Tayloristic elements in work design and towards a greater emphasis on horizontal control with a wider purview for decision making at the level of the work group or team.
- 4) *They sought to improve intercooperative institutional participation (cooperation between cooperatives).* The importance of institutional participation does not end with intracooperative participation (inside the cooperative); cooperation between different cooperatives was also seen as something begging improvement. A *comprehensive* approach to participation is therefore a concern. There was a very high assessment of the cooperative organization as a system that aims to incorporate

democratic logic in decision making, of the cooperative movement as a driving force for democracy in the business world; accordingly, there was a call to improve participation on a complete institutional basis.

‘Faced with the emerging opinion of many that the cooperative movement is not so much about a legal-corporate framework but rather about a climate, a culture and an experience, and therefore, the focus is on improving participation and involvement at work (Cheney, 1997; Azkarraga, 2007; Altuna, 2008), the contributions to the process indicated that there is no desire to play down the legal-corporate-institutional side of the cooperative movement (directly democratic structures, ‘one person one vote’). In the MCE there has nearly always existed a tension between reliance of local knowledge, especially about democratic practice, and the importation of management systems from an increasingly globalized market (Cheney, 1999, 2002; García, 2006; Azkarraga, 2007; Altuna, 2008). ‘This tension is natural and to an extent inescapable; however, it must be revisited periodically and confronted creatively.’

In relation to ‘organizational improvement’ participants expressed the need to strengthen the horizontal dimension of work organization. They highlighted the need for individual cooperatives, to some extent, to develop their own management models based on their values and experiences.

In terms of ‘strengthening democracy’, there was a clear call for improving the democratic life of the cooperatives, for greater participation by a wider segment of the membership and for enhancement of institutional participation. ‘In deeper terms, this requires two specific structural considerations:

First, what should be done with the development of participation programs in non-cooperative enterprises that are acquired or created abroad?

Second, within existing cooperatives, there is a need to probe the specific aspects of participation, both facilitated and sometimes obstructed by governing bodies, depending on their composition, vitality, performance.

2) *Renewing the commitment to and engaging in a multi-dimensional approach to education.*

‘One of the most widely understood conclusions about the MCE is that cooperative education has been central to the cooperatives’ success and yet allowed to decline in importance over the past two decades’ (Azkarraga, 2007, 2010). To present a quote from Azkarraga (2007: 37):

"No experience that aims to come up with something different to what there is can maintain its identity over time if does not constantly nourish its own view of things, its course, and the way it sees and understands itself."

The participants concluded that training has focused on the functions of the governing bodies, and that no work has been done on the area of social and ideological reflection. They called for a new phase in education/training to ensure that people and institutions are more aware of the professed cooperative values. Intensive training for the governing councils and social councils was therefore deemed essential to promote the cooperative identity. Participants in the RFCE noted 'the asymmetry between the institutional and executive branches, that is, an imbalance caused by the greater weight and the power of the executive (general manager) compared to the democratically elected bodies (governing councils). Managers and management councils were urged to revive social values alongside their more accustomed concern for the bottom line. 'In summary, a new phase of education and training should fortify a feeling of belonging, to strengthen personal commitment to the cooperative and to deepen cooperative identity'. (Azkarraga et al., 2012: 92).

Another important conclusion concerns the outline of specific forms of cooperative training, for which the following five were identified for attention:

- 1) *Dialogical and participative training*. This refers to a perspective on the worker-member as an active co-participant in the knowledge and practices of the educative process, in contrast with a top-down conception and style of education.
- 2) *Ideological training*, placing the cooperatives in contemporary economic, political, and social contexts, gives meaning and direction for work within a common framework of cooperativism. Such educational experience may be considered as a crucial complement to technical and job-specific training.
- 3) *Dynamic training* that brings the participants together and helps them to get to know each other can open interpersonal channels of communication towards relations based on equality and respect, as well as receptivity to constructive criticism.
- 4) *Action training*, with a vocation for transformation, can enlarge the sense of the cooperatives' goals by encouraging members to be alert to means of improving the cooperative's role in society, as well as its performance along standard lines of assessment.
- 5) *Training, which is cyclical and on-going*, integrated in the company's normal processes, can serve as a continuous feedback loop for the organizations. Above all, the ongoing and reflexive nature of cooperative training is underscored.

‘These conclusions of the RFCE have led Mondragon to innovate and develop a comprehensive and forward-looking cooperative education strategy, the key points of which are explained in the next section.’ (Azkarraga et al., 2012: 93).

*The Mondragon cooperatives and ‘social transformation’. The RFCE and the wider social commitment beyond the cooperatives.*

According to the authors, the self-reflection process explicitly addressed the needs and opportunities for extending the ‘circles of participation beyond the cooperatives’. (p. 93). This refers to the broad set of goals under the heading of ‘social transformation’.

‘The cooperative experience has distinguished itself at creating self-management processes, ‘cooperativizing’ different spaces and areas, and extending the idea of citizen self-government and community leadership (Azurmendi, 1988; Azkarraga, 2007; Sarasua, 2010).’

Part of the discussion on social transformation was aimed at ‘identifying current social needs as ‘possible areas of action’ and invited people to contemplate unexplored avenues. Education was commonly characterized throughout the reflection process as the starting point for social transformation. A second set of themes, ‘that we could call emergent’, was related to the broad cooperative social commitment of the cooperatives but also to the participation of individual members in community-related programmes. ‘These concerns consistently surfaced in discussions: support for the normalization of the Basque language in the cooperatives, and support for Mundikide, a non-governmental organization established by cooperative members to pursue cooperation with solidarity-economy projects in the developing world. The spheres of activity most highlighted for the larger community surrounding the cooperatives were: housing, needs of senior citizens, environment/ecology, the integration of immigrants and the reconciliation of work and family life.

‘At the same time, there was an expressed interest in creating alliances, collaborations or links with social movements and bodies working for social transformation (e.g., movements related to land-agriculture-nature, insertion of the underprivileged, the cultural sphere, emerging movements like ethical banking and fair trade). It is a second idea for seeing actions for social transformations.

The third idea to be highlighted is, without doubt, the one that was mentioned most. This was how to act in these areas, and the suggestion was to promote cooperative projects in social areas (to extend the cooperative formula to the social field).’ (p. 95).

### ***Programs established as a result of the RFCE.***

The authors summarize the main courses of action that were taken after the approval at the 10<sup>th</sup> Cooperative Congress (2007) of the conclusions from the RFCE.

Since 2007 different proposals have been articulated, designed to tackle the problems shown in the RFCE. *The primary objectives have been to re-examine the corporate management model in the light of cooperative principles and values to fortify cooperative culture. (my emphasis).* Moreover, in 2010 continuing with the areas for improvement detected in the RFCE, the group's standing committee decided to continue with the lines of work started and to pursue proposals in another area: *institutional participation (my emphasis).*

### ***Looking towards a new management model.***

The cooperative group has been looking towards a new management model. *'A central controversy at Mondragon for two decades has been how best to reconcile a familiar and globally dominant corporate management model, and its accompanying and often 'value-free' technostructure, with cooperative principles.'* In June 2007, Mondragon's general council approved an in-depth review of the corporate management model and the accustomed means of self-assessment.' (p. 96).

### ***Preparing to restructure and reinvigorate participation at the institutional level.***

'Although the cooperatives remain an important reference point in economic democracy, they are in need of innovation as far as formal mechanisms and channels of participation are concerned.'

This problem has been addressed from two standpoints:

- a) By designing better uses of existing channels of participation, within cooperatives as a whole and especially in their principal organs.
- b) Through developing new approaches to cooperative democracy.

### ***The reflection process and the Cooperative Education Model.***

The decision was taken to open up cooperative training to all levels of the organization (including governing councils, social councils, management councils, executive officials and the rank and file). The content and methodology proposed aimed to meet the need to promote reflection and participative debate about the social and identity dimensions of the cooperative.

In addition to these programs, and *Expert Course in Cooperative Development* was designed at the Mondragon University (LANKI Institute), lasting 250 hours. The purposes

of this training initiative are twofold: to provide the elements necessary for reflection on and promotion of the cooperative movement from a social and ideological viewpoint; and to offer the basic skills to train people who will work on the process of disseminating the cooperative idea at the heart of their organizations.

***The approved White Paper (2007) and the area of social transformation.***

The White Paper approved at the 10<sup>th</sup> Cooperative Congress (June 2007) included the following lines of action:

1. To maintain links with institutional partners in the development of projects of social transformation.
2. To carry out sector-based analyses to establish targets for 'cooperativization' in the larger community.
3. To analyze the alternative models for effectively and efficiently managing the cooperatives' social funds.
4. To promote the cooperativization of new areas of society, and in so doing to develop policies for sustainability and social responsibility within them.

In regard to this last-mentioned issue, a new institutional tool was created in the form of a foundation in order to meet the concern expressed in the RFCE about 'the slowdown in the cooperativization of new economic and social areas.' To help achieve this strategy the two big cooperative supra-organizations in the Basque Country came together: Mondragon itself and the Basque Cooperatives Confederation (the confederation represents the cooperative movement as a whole in the Basque Country, beyond the MCE).

In addition to the establishment of this foundation, in 2008 a proposal emerged for social transformation and community development in and for the Alto Deba, a Basque administrative division (the area where the cooperative experience was born).

The authors write: 'The Mondragon valley – and, to an extent, the Basque Country as well – has unparalleled community structures based on self-organization. Within this context, there is high density of cooperatives, in the sectors of production, consumption, finance, education and research. These are interesting starting points for putting together an innovative strategy and reinvigorating the cooperative experience: to move towards a more cooperative person in a more self-organized and self-managed society at all levels (Azkarraga, 2010, 2011; Sarasua, 2010).

Following on directly from the systematic process of reflection, the association Bagara was created in 2010, involving industrial and educational cooperatives, some leaders in the cooperative movement, and officials in other organizations across the area. The purpose of Bagara is 'to design a proposal for integrated community development, including issues of responsible consumption, culture, civic education of youth, immigration. This project harks back to Mondragon's origins and the wider vision of community engagement and community participation; it also represents a direct response to the challenges of globalization for the Basque society. The authors conclude this section with: 'Bagara offers one means of enacting, and later testing, ideas of social transformation.' (Azkarraga et al., 2012: 98).

*The authors' conclusions from the 'Reflection on the Meaning and Future Directions of the Cooperative Experience' (RFCE).*

According to Azkarraga, Cheney and Udaondo, the entire matter of participation at Mondragon, now as before, 'involves a complex of economic and social factors.' The expansion of the system in the past two decades had included an increase in the proportion of non-salaried and non-owning members. For this reason, 'one of the most important recent developments in the cooperatives has been raising the question of broadened opportunities for participation in foreign but heretofore non-cooperative plants owned by the corporation. *How this internationalization of cooperativism and participation is conducted, and what it means for the identity – as well as vitality – of the cooperatives will be critically important to follow in forthcoming research investigations.*' (my emphasis).

According to these authors, the question of participation, in many ways, comes down to the 'performance and vitality of the councils, and especially the strengthening of the governing councils so they can function as a true counterweight to the technocracy (my emphasis), as manifest in the management councils.' (p. 99). It is 'evident from its early outcomes' they argue, that the RFCE was 'not an empty exercise, or simply an excuse for the implementation from above of a new managerial regime'. They are looking forward to following the 'new experiments outlined above' to consider especially the interrelations of participation, decision making, commitment and identity on all levels of analysis relevant to the Mondragon cooperatives. Importantly, the MCE is being revised, even at the time of economic crisis. 'To be sure, part of the self-examination is linked to bottom-line concerns, such as the 'translation' of cooperative identity into a value-added advantage for the cooperatives. But, at the same time, there is a desire commonly expressed from the top leadership – as well as the rank-and-file membership – to return to the core values of equality, solidarity and participation (my emphasis). Especially encouraging is the talk of capitalizing on 'local knowledge' of democratic structures and processes. *This, in turn, relates significantly to the matter of cultural identity for the Basques and especially to the widely held commitment to self-determination which applies to both work and politics*

(my emphasis). What precisely this will mean in the coming years, in terms of participation and decision making within and between the cooperatives, remains to be seen.'

*A critical review of Azkarraga's, Cheney's and Udaondo's account of the RFCE. A competing theoretical lens.*

Viewed from my macro cultural psychological perspective, the account of these authors reveals several theoretical and empirical flaws to be summarized as follows.

- 1) Their *conceptual dualism* (e.g., structure vs. agency, material vs. ideational, social vs. economic, '*Gemeinschaft* versus *Gesellschaft*' (Tönnies). This approach lacks the 'conceptual language' which might better reflect the *relational and dialectical* qualities of the ongoing interaction of structure and agency and material and ideational 'moments'.
- 2) Their approach basically *lacks a political analysis* of 'the Mondragon Experience' and the reflection process thereof, obviously in contrast to their acknowledgement this experience being 'fundamentally political'.
- 3) Consequently, to the limited extent they address *the concept of power relations*, their theorizing of this concept remains largely one-dimensional, or in other words, restricted to the 'first face of power'<sup>481</sup>, that is, decision making.
- 4) This fundamentally non-political approach does not address *the concept of the State*, being fundamental to social, political, and economic analysis. While being vitally important for the genealogy of the MCE, the role of the Spanish State (Francoist and non-Francoist alike) seems to be taken for granted, so not opened up to critical scrutiny.
- 5) Closely related to this flaw is the analysis of *the concept of 'globalization'*. This highly fashionable as well as contested concept has been theorized as 'a process without subject', hardly unpacked, notably in its complicated relationships with (in this case) the Spanish State.

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481 See section 'The faces of power' controversy' in 'Political Analysis, A Critical Introduction' of Colin Hay (2002), pp. 171-182. Hay refers here to the volume 'Power, A Radical View' by Steven Lukes (1974, 2005).

## 10.6 Azkarraga's analysis of the discourse of three Mondragon co-founders

According to the author, the recordings and transcripts of the sessions he had with three of the first and close collaborators of Don José María Arizmendiarieta, José María Ormaetxea, Alfonso Gorroñoigoitia and Jesús Larrañaga, are 'without any doubt documents of great historical value for anyone who wants 'to enter the passionate world of an Experience pretending to practice an ethical and social project based on a distinct idea of being and business'. (Azkarraga, 2006: 722, my translation). The three co-founders incarnate a cooperative project ultimately aiming at '*una sociedad nueva y un nuevo ser humano más acorde con el pensamiento cooperativo arizmendiano que le dio origen.*' So, just like their inspirer and mentor, father Arizmendiarieta, they ultimately aim at a new person, living in a new society. The interview and discussion sessions, in total amounting to about 27 hours during from September to December 1999, provided an invaluable source of information about these founders' views on the then 'state of the art' of the Mondragon cooperative experience.

Considering this research project regarding the discourse of three (co)founders of the Mondragon experience, published at the time of the extensive 'self-reflection process' (2005-7), as a major element in my periodization of Mondragon's history, I will summarize in quite some detail Azkarraga's main findings and subsequently review his approach from my theoretical perspective.

Following Azkarraga's line of presentation, I will first focus on the 'key discursive topics' (*Principales claves discursivas*) identified in his analysis of the founders' discourse.

### 1. *The values.*

#### *a. Education and the social compromise.*

According to the founders of the Mondragon Cooperative Experience '*el compromiso con los demás*', literally the compromise with others, constitutes the key element of their conceptual framework ('*del cuerpo axiológico*') in building that experience. Before starting the first cooperative, Arizmendiarieta and his 'pupils' deployed a lot of activities in the educational field, aiming at a 'communitarian spirit' and striving for a 'communitarian compromise', thereby preparing the groundwork for the later working on developing cooperatives.

According to Azkarraga, at first, in their original mainly educational activities the founders had not explicitly formulated 'ideology' at hand. They just worked hard in the educational field 'in a climate of compromise' (Azkarraga 2006: 735). Their guiding light and inspirer, Don José María Arizmendiarieta, a young Catholic priest, appointed as a curate in Arrasate (Mondragon) in 1941, obviously inspired them with his Personalist worldview, a '*filosofía de la vida*' grounded in a distinct reading of the Church's social doctrine. The co-

founders saw 'don José María' as a 'social apostle' they greatly respected, if not admired. They followed their leader, not so much for their ideological motivations, but for their being 'innocent, naïve, unprejudiced attracted to the certainty of this guiding person'. For them, the 'social compromise' formed the driving force, at first in the educational domain, but later in the Mondragon cooperative version of doing business. The core idea formed 'cooperation' (and service to others), instead of competition. In line with Arizmendi's ideas they did not want to 'interfere in economic activities already 'occupied' by others in the business field:

*"(D. Jose Maria) Nunca pretendió que se compitiera con la industria local y buscaba la colaboración multidimensional. Yo diría que éste es uno de esos valores que si yo tuviera que seleccionar (...) diría que es el que distingue 'esto' de la sociedad capitalista..." (Gorroñoigoitia, 6).*

Being faithful followers of father Arizmendi, the co-founders emphasize the economic criteria must be viewed as subordinated to the 'ethical project'. (p. 737).

The primordial ideal of 'social compromise' cannot be separated from the social doctrine of the Catholic Church, with its social 'compromise' as well.

*"Ha sido una vida muy religiosa, profundamente inclinada a la Iglesia y a los compromisos sociales, la que conformó unas personas y un estado de ánimo en la que sobre todo había generosidad" (Ormaetxea)."*

### ***b. Culture of action.***

Another key element of the Arizmendian cooperative outlook the co-founders point at is 'the culture of action', that is, the importance of putting at work the foundational values in concrete activities. Ideas must be transformed in concrete actions. One of the most mentioned characteristics of Arizmendiarieta's way of doing was 'the short distance between idea and their realization'. According to their mentor 'ideas that cannot be translated in actions are useless'. And: 'utopias require concrete instruments to change structures'. Regarding the fundamental value of 'solidarity' the co-founders point at the fact that this solidarity has to prove its value in concrete reality. They told the interviewers and researchers that Arizmendiarieta seemed to follow the Marxian view that the philosopher's task is to change the world, rather than to reflect on it.

### ***c. Efficiency.***

Another key value of this first generation 'cooperativistas' constitutes 'efficiency'. Their 'business model' accepts without any problem and views it as evident and natural for this way of doing business. Profit and profitability are a necessary and substantial part of this economic vision.

Azkarraga notes: 'the Mondragon cooperativism attempted to demonstrate its workers' capability to undertake entrepreneurial activities and their competence of self-governing.' In line with this conception of 'efficiency' the co-founders argue that the aspect of 'competition' for them is as important and foundational as 'cooperation'. "*This aspect seems not easy to accept for some 'sectors' which emphasize more the re-active and systemic-critical stance of cooperatives or cooperativism*" (p. 743, my translation).

#### *d. Democracy.*

Another fundamental value of Mondragon's founders' cooperative project constitutes 'economic democracy'. '*The self-governance of the workers, their direct participation in the governing bodies, and, above all, the substantial change in capitalist social relations and asymmetrical power relations in capitalist enterprises constitute one of the cornerstones of the motivation and values of the Mondragon Experience*' (p. 743, my translation). Once again, Larrañaga emphasizes 'the Mondragon workers demonstrated their competence, just like the capitalist class, to govern their companies'.

#### *Analysis of the meaning of the founders' actions regarding the Mondragon Cooperative Experience.*

Joseba Azkarraga refers to the work of the American sociologists Berger and Luckmann<sup>482</sup> to clarify the theoretical background for his analysis of the meaning-making process regarding the founders of the Mondragon cooperative experience. Taking the approach of Berger and Luckmann as his point of departure, the author attempts to analyze 'the basic meaning-making ("los elementos de sentido y significados") elements of the founders' 'vital option"' (p. 745). Therefore, his basic research question was: 'which elements of the founders' economic practice were most meaningful to their culture of cooperation?'. Briefly summarizing his account, I will point at the following four elements:

#### *a) The social question.*

For all the founders the primordial element which must be emphasized is the search for a 'solution of the so-called *social question*'. This issue referring to the conflict between 'capital' and 'labor' emerging the advent of the Industrial Revolution and the capitalist system of production. This social system became concretized in the form of a 'una figura socio-espacial determinada: la empresa (capitalista). 'The corporation is the nerve-center in which develops the modern social conflict, the social space in which the conflict between the two 'big collective subjects' emerging with the capitalist industrial society, the capitalist class and the working class, are fighting their struggle.' (p. 746).

According to the author, it is in the context of this emerging industrial-capitalist society with the accompanying social conflict that we can identify the emergence of not only the

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482 P.L. Berger, and T. Luckmann, *Modernidad, pluralismo y crisis de sentido*, Paidós, Barcelona, 1997.

Mondragon cooperativism, but of modern cooperativism in general. He views this modern cooperativism 'as a reaction of the popular classes to the derailments of early capitalism' ('como reacción de las clases populares contra los desmanes del primer capitalismo.'). The author continues: it is this same motivation regarding the great social conflict we encounter in the Mondragon Cooperative Experience, possibly constituting its major and most exciting exponent of this motivation.

The fundamental, ultimate goal of the experience forms '*la emancipación de la clase trabajadora*', this emancipation of the working class being fundamentally important as expressed in the statutes of Copreci: "The social objective of this cooperative is the emancipation of the working class. The industrial objective is the production of electric household appliances." (Gorroñoigoitia).

'The Mondragon cooperativism is largely a product of the Christian social doctrine's view on the dramatic social situation caused by capitalist society and its inherent class conflict.' (p. 747). Their mentor and inspiring guide don José María, a former disciple of Barandarian and his group, searched for a 'third way' in his endeavor to build cooperatives in Mondragon, while living and working in this little town as a curate. Even his activities before the creation of the first cooperative he deployed in perfect compliance to the (social) policy and thinking of the Church, that is, to the 'more open and modern sectors' of that Church.

In the eyes of the founders, Arizmendiarrieta worked and lived like a 'new type of priest', a social apostle, as it were, inspired by the social doctrine of the Church as formulated by '*Rerum Novarum*', the social Encyclical Letter from Pope Leo XIII, reaffirmed by '*Quadragesimo Anno*' of Pope Pius XI (1931). For them, the Christian motive is clear, the founders perceive their participation in creating Mondragon cooperatives as part of their being 'believers'. "*Probablemente la dimensión cristiana que aliente el proyecto arizmendiano es el componente, dimensión of faceta que más le distingue. ...[E]l "hombre cooperativo" arizmendiano no puede entenderse sin la acepción cristiana y evangélica que envuelve a ese hombre.*" So, the most distinguishing component of Arizmendian cooperativism forms its 'christian dimension'. The co-founders started their 'education' as cooperativists in the study circles inspired by a strong anti-socialist/anarchist/communist attitude, at the time and certainly in the Catholic Church clearly hegemonic in Franco-Spain.

### ***b) Transforming structures.***

In the first years of their 'cooperative experience' the co-founders did not have an explicitly formulated 'ideology'. Rather they were motivated by a diffuse anti-capitalist and social justice feeling. They observed a fundamental 'asymmetry' in power structures, where the workers had no place and vote. To overcome this social injustice and inequality between capitalist owners and the workers, the co-founders embarked on their cooperative

project. Once again, they emphasize this project – the solution of the 'social question' – was grounded in the social doctrine of the Catholic Church. Building on this foundation they attempted to transform (modify) the corporation's structure.

*"El tratamiento de la cuestión social propuesto por Arizmendiarieta no pasará, por tanto, por el asistencialismo propio de la visión que promulgaban buena parte de las actividades y propuestas de la Iglesia – de sus sectores más conservadores-, cuyos principales resortes de poder en España, conviene recordar, se encontraban en perfecta sintonía con el régimen dictatorial franquista."* (p. 752). This passage confirms what other scholars, like e.g., Molina and Miguez, have observed, namely Arizmendi's strategy, deployed right from the start, to deliberately keep his experiment confined within the main ideological and political parameters of the Church's hierarchy and the Franco regime as well. It is *within* these confines that he and his collaborators would operate and attempt to forge a 'change of structures'.

According to Azkarraga it was Larrañaga who most explicitly pointed at Arizmendi's skillful strategy to open the legal space within the extant labor regulations of the Franco regime to design the statutes of Ulgor S.A. (thereby using his close contacts with José Luis del Arco, advisor to the 'Obra de Cooperación' in Madrid). Notwithstanding differences between Arizmendi's original ideas about 'his' cooperatives (viewed as legal labor organizations of business) and the extant Francoist regulations under the ideological umbrella of the *Fuero del Trabajo*, clearly fascist inspired, his own conceptual framework being firmly embedded in the Church's social doctrine facilitated the legal incorporation of Mondragon's first co-ops in the political-legal-economical infrastructure of the Franco regime. In the eyes of notably Larrañaga this construction exemplified a particular 'collective subject' combining the two antagonist elements of capitalist societies into one organization, whereby the 'factor' capital is subordinated to the 'factor' labor.

I will return on this crucial issue in addressing Arizmendi's original conceptual framework and practices.

A key point in all the founders' motivation constitutes 'a strong desire of social transformation' (p. 758).

### *c) Self-emancipation and working-class autonomy.*

To understand the fundamental motives of the Mondragon founders, we must add a third consideration to the two motives mentioned before, the social question and the transformation of social structures. This third consideration regards the ultimate objective of the transformation process: the self-emancipation and autonomy of the working class.

Put different, the ultimate objective of Arizmendi's thought and actions, being the co-founders' most important inspiration, resides in the idea and articulation of mechanisms aiming at 'la *integración social* plena de la clase trabajadora'. So, to completely integrate the working class in society the Mondragon experience attempts to reverse the power relations in corporations, that is, instead of the ruling (capitalist) class having the power to take all substantial decisions and the workers being subordinated and disempowered, via the cooperative 'business model' the workers will be in power and decide. The Mondragon experience aimed at the resolution of the 'social question' by striving for the self-emancipation, autonomy, and social integration of the working class. The meaning of the founders' actions goes even further:

*"They pretend, at the same time, and maybe in the last instance, to distribute power in a more equal way, proposing a different human, but fundamentally political situation, for the working class. Therefore, it is essentially a political project, drawing on the cooperative ideas in general, and arizmendian ideas in particular. Political in the general sense, obviously not in a party-political sense; political in putting forward the construction of an essentially different social order, based on more democratic power relations and opportunities." (p. 760, my translation and emphasis).*

**d) *Multidimensional social transformation.***

For the co-founders the reform of the corporation – one of key social institutions of modern society- means at the same time the leverage to the transformation of society in general. In their view the transformation of the capitalist corporation (the focal point of conflict in society) forms a necessary precondition to such general social change.

The multidimensional character of the 'Mondragon project' can be derived from its 'essential political dimension' (p. 761) by proposing to intervene in the public cause in order to attempt to construct a new social order, a new society. It is not merely intervening in the structure of corporations, concretely in the extant corporate governance structures, but the underlying motives reach beyond this objective. It transcends this 'level' and aims at restructuring 'the community' to become a more equal society, with equity and social justice.

The co-founders emphasize their project must not be viewed as limited to the domain of 'work and enterprise'. They not only wanted (and actually did) to prove that the workers did not need a capitalist to manage the corporation, but their commitments also reach further into the community, explicitly attempting to contribute actively to ameliorating living conditions like (public) health or education. Demonstrating the multidimensional character of the Mondragon experience as they see it, the co-founders consider pursuing 'equal opportunities' in society as one of their most important ultimate objectives. For them, just like for Arizmendiarieta, the 'communitarian' dimension formed a key tenet

of the Mondragon project. Or, to quote Arizmendiarieta: '*hagamos la comunidad rica y no al individuo rico*' (it's all about creating rich communities rather than rich individuals).

### ***Institutionalizing and Mondragon's values and course.***

In this section (pp. 764-780) Azkarraga points out the process of 'institutionalization' and its impact on key values and the main course of the Mondragon experience. To clarify this impact, the author adopts key concepts of some prominent social thinkers like Berger and Luckmann<sup>483</sup>, Tönnies<sup>484</sup> and Durkheim<sup>485</sup>.

The co-founders identify a particular development which could be described as a process of 'institutionalizing' the original, authentic values, that is, the morphing of these values into a set of procedures, activity norms and standardized rules of behavior. They evaluate this process of technical-bureaucratic tendencies critical and negative. According to Larrañaga, who most clearly explains the way the co-founders feel about this process, the 'institutionalizing' of the original values and motivations exemplifies the 'cooling down' ('*enfriado*') of the 'emotional and romantic charge' of their activities in the first period of 'Mondragon'.

To sociologically conceptualize processes of 'institutionalizing' the co-founders pointed at, Azkarraga draws on the theoretical framework of the American sociologists Berger and Luckman in their volume on the 'social construction of reality' (1968). Put in simple terms these scholars envision societies as a dialectical process of socialization emerging in three 'stages': the exteriorization of human activities, the objectivation and finally the interiorization.

### ***Institutionalization and the meaning of solidarity, one of the essential Mondragon values.***

The co-founders are all convinced of the negative influence the process of 'institutionalization' has exerted on the original values and principles of their cooperative experience. As Azkarraga writes:

*'The process of institutionalization has profoundly mixed up the meaning of solidarity'* (p. 768, my translation).

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483 Azkarraga refers to the volume '*La construcción social de la realidad*', Amorrotu, Buenos Aires, 1968.

484 Tönnies, Ferdinand, 2001 (original published in 1920), *Community and Civil Society*, ed. by Jose Harris, translated by Jose Harris and Margaret Hollis, Cambridge: Cambridge University Press.

485 Durkheim, E., 1985. *Las reglas del método sociológico*, Madrid: Akal.

According to the co-founders, the evolution and concretization of those key cultural elements (values, ideas, and symbols), their morphing into procedures, codes, and institutionalized norms 'perfectly delimited' the original key cultural elements. Notably a key value like solidarity. They have experienced a process of shifting from personal efforts to a kind of 'institutionalized solidarity'. This process could be termed an ossification of the original personal sensitivities, conscience, and idealism. What is the fundamental reason for this process to have happened, in the view of the discussants? To quote Azkarraga:

*"In the founders' perception the process of institutionalization is a matter of fact, partly inevitable and irreparable, but at the same time entailing a considerable critical charge"* (of the Mondragon experience), (p. 769, my translation).

They agree on the observation that 'the warmth of the (original) emotions has been substituted by the 'cooling down' of institutionalism, accompanied by little enthusiasm, no militancy, and the absence of 'strong emotions' in being a cooperativist. (Ormaetxea).

The process of Mondragon's growth, from the small origins (socially and spatially) in the Basque Country, to the contemporary vast worldwide network of corporations, is perceived as a process of social changes and more complexity, of more specialization and differentiation. Now, being absent the great inspirer and 'force of cohesion', don José María, the original direct lines of contact and communication having disappeared, the then extant form of solidarity has been displaced by, in the words of Larrañaga, 'a *solidarity at a distance*'. (p. 774).

In fact, talking about changes in social organization the co-founders point at corresponding changes in the cultural field as well. To clarify this issue, that is, to grasp social changes in relation to the process of 'institutionalization', Azkarraga puts at work two classical sociological theories.

First, the well-known distinction between '*Gemeinschaft*' (Community) and '*Gesellschaft*' (Society) of the German sociologist Ferdinand Tönnies<sup>486</sup>. This scholar explains the historical transition in Western societies from the Middle Ages to Modern times as a fundamental change from society consisting of '*Gemeinschaften*' (communities) to '*Gesellschaften*' (societies). Tönnies characterizes the social organization predominant in the Middle Ages as based on the family as social nucleus wherein social life is determined by traditional customs and a 'communitarian spirit'. The ascent of modern society accompanied by individualism meant the descent of medieval communities. This modern society brought with it the emergence of a new type of social bonds, social 'contracts' replacing the old communitarian bonds. The former

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486 Azkarraga draws here on the volume of G. Rocher, *Introducción a la Sociología General*, Herder, Barcelona, 1990, p. 219-229.

type of social organization that could be described as communitarian, rural, artisanal, corporatist, hierarchical and religious, would be replaced by the new type which could be characterized like social, urban, industrial, capitalist, democratic and scientific. (p. 776).

Second, Azkarraga points at another 'father of sociology', the French Emile Durkheim who published similar reflections on the transition from Middle Ages to modern times in Western societies. This renowned social thinker could shed more light on the discussion on hand regarding the institutionalizing of the original motives of the co-founders. For Durkheim, an important element in this transformation was constituted by the growing 'individual autonomy'. According to this author, in the 'primitive' or medieval times the 'individual conscience' was completely subordinated to the 'collective conscience'. He considered the most important difference between the 'primitive' and 'modern' times being society's complexity. This growing complexity leading to a 'bipolar tension' between two social organization models constituting elements of his theoretical construction:

**a) *Mechanical solidarity***

In Durkheim's view the so called primitive or archaic societies were constituted from the juxtaposition of groups primarily to be characterized as being 'similar'. Mechanical solidarity concerns solidarity between similar groups. Conformity was primordial, difference or originality was not tolerable (*'para sobrevivir no puede tolerar desemejanzas, originalidad, particularismos, ni en los individuos ni en los grupos'*, p. 777).

**b) *Organic solidarity***

Modern societies are more complex and more specialized than primitive or archaic societies. This complexity and specialization lead to a transformation of the mechanical solidarity. The emerging type of social bonds are focused on diversity rather than similarity, on the *complementarity* of society's diversified parts. Personal autonomy and conscience become more important in modern society.

Azkarraga emphasizes both theories (of Tönnies and Durkheim) regarding 'ideal-types' or 'bipolar typologies'(community/association, mechanical/organic solidarity) designed merely for analytical purposes. The 'ideal-types' are not found in pure form in reality. So, if we look at our modern times, we still can find elements of 'community' and 'mechanical solidarity' at certain levels. Social 'associations' can be transformed to 'communities' focused on the mechanical form of solidarity, typical for 'primitive or archaic' societies (in the theoretical framework of Tönnies and Durkheim). According to the co-founders, the original Mondragon cooperative experience resembled more a social structure that could be characterized as 'communitarian', or, if you wish, based on 'mechanical solidarity'. With hindsight, an ever more differentiated social structure, accompanied by a transformation of social bonds and social relations, resulted in '*una mayor institucionalización del sentido*' (a major institutionalization of the meaning, the sense of the Mondragon experience as they see it). In their view the 'communitarian component' formed a forceful driving force

in the first stage of Mondragon's life course. Shared beliefs and common sentiments determined its practices. Over the years they experienced a transformation process in the nature of solidarity. A change from the original solidarity being based on Mondragon's 'collective conscience' to a form of solidarity more grounded in 'the functional necessity of the social parts'. (p. 779).

*"In other words, Mondragon has changed from a 'cooperative culture' determined by a society of communities and attached 'mechanical solidarity' to a different type of cooperative culture with a different configured social reality (based on association and organic solidarity)." (p. 780, my translation).*

### ***The loss of Mondragon's cooperative identity. A basic discursive line of the co-founders.***

This section of Azkarraga's analysis addresses the discourse of the co-founders regarding their view on 'the loss of Mondragon's cooperative identity'. The obvious relevance of this discursive element in the founders' account for my work on the 'degeneration thesis' legitimizes presenting here an accurate overview of this discourse and its analysis by Joseba Azkarraga. First, the focus is on the key elements of the founders' discourse as presented in Azkarraga's account, subsequently this scholar's approach will be discussed within the theoretical framework outlined in Part One of my monograph.

Following Azkarraga's account carefully, the focus is on the two basic 'discursive lines' identified in the founders' narrative, or, using the author's words, the two different 'logics' in their story, being 'constantly in tension with each other', producing 'the ambivalence' as a key element of their 'symbolic world'. (p. 829). Indeed, this ambivalence constitutes a constant issue in internal as well as external debates and assessments of the Mondragon cooperative experience. The topic of 'ambivalence' refers to Mondragon's past, present and future, so it could be applied fruitfully in my procedure of 'periodization', a particular way of historical research, as outlined in the theoretical Part One of this monograph.

### ***The first logic: Mondragon as a 'cooperative experience'.***

The co-founders, all having been committed during their whole professional life to the Mondragon cooperatives, a commitment that formed their individual and social identity, participate in this discussion against this personal background of deeply felt commitment. These three men were all inspired and guided by their revered mentor, father José María Arizmendiarieta. This Catholic priest, a genuine Spanish Basque, founded the cooperative 'experience' now worldwide known as a successful model of cooperativism, the Mondragon Cooperatives. Like their mentor and guide, the co-founders based their cooperativist vision on the social doctrine of the Catholic Church. The ultimate objective could be termed 'the emancipation of the working class', creating 'a new order' and a 'new person', radically different from the extant social order. For this analysis of their discourse

by Azkarraga, I will not go now into detail about their social-catholic background and address this by all means important factor later in the historical part of the monograph.

*The loss of cooperative identity.*

They warn the people actually involved in the Mondragon cooperative experience for a development they conceive as '*the end of a cooperative culture in the present institutions*'. They observe a process of 'institutional sclerosis'. Moreover, this process brings forth feelings of unrest and despair: the genuine features of the cooperative corporations and the essence of its cooperative nature experience a '*process of regression and dissolution*'. According to Azkarraga this feeling of regression and dissolution is one of the most important, maybe even the most important element in the co-founders' 'collective imaginery'. They evaluate the actual processes as a growing dilution of the original cooperative culture, accompanied by an intensification of '*homologación e indiferenciación con respecto a las empresas capitalistas, y por tanto, hacia su posible desaparición (cuando menos en los términos hasta ahora conocidos)*'. (p. 781). In their view the cooperatives of Mondragon have become in due course more and more comparable if not identical to capitalist corporations, even to the extent that the cooperative experience risks '*extinction*'.

First the focus of the researcher is on the feeling of 'a lost cooperative identity' as far as the *material* elements or the 'real' dimension of the alleged loss is concerned. The '*ideational*' aspects, concerning Mondragon's original ideas and values, will be addressed in the next part of this vast section. In other words, first will be focused on the 'external changes' in the cooperative system. That means a focus on the co-founders' interpretation based on objective data like, for instance, jobs created, the proportion 'cooperativistas/no-cooperativistas' (or *socios* versus *non-socios*), or the expansion of the cooperative group in relation to the creation or integration of non-cooperatives. As a result of important transformations in the social cooperative structure the character of the 'personalist society' loses ground.

Referring to the substantially changed ratio of *socios/non-socios*, the co-founders contend this development has serious consequences for the personalist conceptual framework. In their conception of this Arizmendian framework *all* the workers are worker-owners (*socios*). They have observed the entrance of capitalist corporations and of 'conventional workers', not being worker-owners in the Mondragon group of corporations. This development confirms their feeling of a gradual but steady process of diluting the personalist concept. Without any doubt leading to debilitating the original cooperative philosophy and practice. Or, put otherwise, the co-founders recognize a process of 'degeneration' of that basic concept. They depict this regrettable process in harsh words. Just to select a couple of examples of this judgment:

*“[N]ow, (...) looking at the most important of the original aspects of solidarity, it is also certain that these have been considerably debilitated. Curiously this course was set in directly after the retirement of the founders’ group. Larrañaga and me retired at the end of 1991, Alfonso two years earlier. In six months, the wage-differential widened to an 8,5:1 ratio.”* (Ormaetxea, my translation).

“The actual structure of wage levels (*‘el abanico retributivo’*) is unacceptable to Gorroñogoitia: “I am convinced this actual excessive difference would have been unacceptable – in those more difficult times - to D. Jose María.” (Gorroñogoitia, my translation). This co-founder explicitly connects this ‘unacceptable’ development in the Mondragon cooperative experience with the (non)pursuing of Arizmendiarieta’s ‘iron law’, that is, the investment instead of ‘monetarization’ of the corporations’ profits, as ‘a formula of solidarity’ and the primordial importance of ‘communal enrichment’ via job creation, rather than personal benefits.

“Maybe the structure of wage levels has led to the loss of the character traits of the original cooperativism.” (Larrañaga, my translation). According to Ormaetxea ‘the debilitating process regarding the ‘capitalization’ (reservation for investment) marks a direction privileging the personal interest of the socio above the service to society.’ (p. 788).

“The loss of social leadership, in contrast to the business leadership caused the loss of an essential value in the way the financial returns have been distributed. This way reflects the distribution of dividends in capitalist firms.” (Ormaetxea, my translation).

The co-founders strongly disapprove of the number of temporal workers-on-contract (no *socios* of course), a number ‘larger than ethically reasonable’ to externalize a particular amount of work, thereby creating ‘intermediate work organizations’ rather than strengthen the cooperative nature of these organizational units. In their views this process shows a ‘mutilated, deformed and humiliating’ cooperative ethic.

Another element indicating the ‘degeneration or deterioration process of the cooperative system’ regards according to the co-founders the introduction of the early retirement (at the age of 58). They consider this introduction as symptomatic of a defensive attitude (to keep what you have) instead of an element strengthening the ‘human factor’ in the cooperatives, aiming at solidarity with others. In the discussions they can’t suppress a feeling of frustration about all these deteriorating processes.

Turning the discussions to the actual living situation of the co-founders, now being retired, Azkarraga notes a parallel between their rather negative and critical appraisal of their being retired and the general developments they observe in the Mondragon cooperative

culture. Now having the position of *'jubilado'* (retired worker) makes them feel 'absolutely frustrated' about their 'idleness':

*"Este campo semántico viene completado por expresiones como "estamos fuera del sistema" o "lo pasó muy mal por jubilarse, porque se encontró vacío y no tenía nada que hacer" (Ormaetxea). Maybe this frustration about the 'idleness' could have been enhanced by their strong commitment to the very foundation of this cooperative system, a system they feel is deteriorating before their eyes.*

They dearly miss their mentor and guide, Father Jose María, who would have proposed and work hard to implement policies more in line with the original cooperative spirit, regarding the position of the elderly in general and the retired workers specifically.

Like Gorroñoigoitia said: 'I believe that the cooperativist in the general environment of our society, apart from the actual individualism and egoism, I believe that this cooperativist is a more socially sensitive person, more inclined to social equality. (...)

'It is here where, in my opinion, the problem lies. On our way to that new 'social order' in our economic endeavors as well in the sociological domain we have made little progress. (...) Our values run up to the actual society.' (Gorroñoigoitia, my translation).

In view of all the quotations here presented, which could easily be supplemented by many more, it is not by surprise that Azkarraga writes: *'the perception of a moribund cooperative system constitutes the center of their imaginery'* (p. 785). This would suggest that the word 'degeneration' could be taken even as an understatement of the deplorable situation these co-founders find in 'their Mondragon'.

### ***The ambivalence caused by the founders' two logics.***

Azkarraga's account of the co-founders' discourse as outlined so far, undoubtedly confirms and substantiates a 'degeneration thesis' in the sense that they all have a strong feeling of 'the loss of Mondragon's cooperative identity', whereby they are referring to the original, Arizmendian Personalist ideology. The author even observed a 'moribund sphere' regarding Arizmendi's cooperative system or culture. Whether or not they use the word 'degeneration', their discourse leaves no doubt they judge the Mondragon experience thus far as in a process of degeneration. But this is not the whole story.

According to the researcher's analysis the discourse displays a constant, pervasive, tense element he calls *'ambivalence'*. The main reason for this ambivalence can be found in their drawing on two different, paradoxical 'logics', first, the 'cooperative logic' in their view articulated by father José María, who considered the Mondragon project as ultimately reaching beyond the economic sphere (a new social order, a new person), second, the

'business logic' or an alternative economic model, that is, alternative to the existing, dominant capitalist economy and its attached capitalist corporations.

The author identified this 'ambivalence' in the co-founders' 'constant oscillations between the two extremes: the *critical* attitude regarding the 'cooperative logic' and the *understanding* attitude toward the 'business logic'.

With his term 'discursive ambivalence' Azkarraga points out that on the one hand, the co-founders emphasize in their discourse the fact that they see a progressive deterioration of the Mondragon cooperative culture, and, on the other hand, accept that 'Mondragon' is obliged to rethink its cooperative elements to adapt to the global economic exigencies encompassing an intensified competition. This last element being a *sine qua non* for the former cooperative 'logic'.

### ***Globalization and cooperativism. Mondragon and the 'business logic'.***

As mentioned before, the co-founders accept 'the global economic exigencies', but they challenge the idea that we can hold those exigencies accountable for all the 'regressive' developments in the Mondragon cooperative culture. Gorroñoigoitia: '*Yo creo que no depende de la mundialización.*' (Azkarraga, p. 816). For sure, globalization brings us difficulties, some problems might even be unsolvable, but that doesn't mean, he continues, globalization completely determines our cooperative future. He points at a different, *internal* factor playing an important role in the 'regressive' processes. In his view there exists a certain 'resistance' to the (original) cooperative formula, a form of resistance based on the emergence within the Mondragon work environment of 'a capitalist logic'. In sum, this co-founder views the 'degeneration' of the original Arizmendian cooperative culture caused by a combination of a 'slipping into' ('*un deslizamiento*') a capitalist culture and the economic exigencies of globalization.

The co-founders are convinced that the diminishing 'faith' in the original personalist cooperative philosophy and practice constitutes a determining factor in the degeneration of 'Mondragon'. They identify as an important element of this process the neglect of the 'pedagogical work' in maintaining 'the cooperative spirit'. (p. 820).

To grasp theoretically this ambivalence, Azkarraga proposes a Freudian approach. That means he conceptualizes the ambivalence as one between the 'love and hate' of children for their parents. Azkarraga: '*Rechazo y comprensión. Amor y odio.*' (Rejection and acceptance. Love and hatred), (p. 832, my translation).

The 'excessive economic pragmatism', the exclusive search for profit(ability), this exclusively focusing on 'the business identity' of Mondragon provokes and amplifies the loss of cooperative identity as perceived by the co-founders. The internalizing of this business logic explains the paradoxical nature of the Mondragon cooperative business

model. One of the consequences of this regrettable process regards the emergence and growing number of temporal labor (contracts). In their view to the extent of this prevalence of 'labor contracts' over 'community contracts' the 'community of persons' ('la sociedad de personas') will dilute.

### ***Ambivalence or contradiction?***

The two 'logics' exert a forceful influence in the co-founders' 'symbolic order' (Azkarraga, p. 838). They constantly oscillate between a critical discourse of Mondragon's debilitating and degenerating practices and an acceptance of the 'inevitable' economic exigencies of globalization, more flexibilization and precarious work included. The demands of the 'global market' must be accepted, they are viewed as '*insalvable*', unresolvable (within the strict sense of the 'cooperative logic'). But they don't see any viable alternative than to obey this transcendent, metaphysical 'God' of the global market, Mondragon must comply and adopt the 'laws' so to speak, of this 'God':

*"De esta forma, se llega a una metafísica del mercado. Como conclusión de esta representación simbólico, al hecho cooperativo no le queda otra salida que la de plegarse a tal configuración, viéndose desactivada e imposibilitada, o cuando menos fuertemente mermada, su vocación transformadora del orden en el que se inscribe."* (p. 840).

On the one hand, the co-founders sharply criticize the internalized 'market logic' as basically at odds to the original Arizmendian cooperative culture, but on the other hand they see no other 'way out' than to adopt this alternative logic, to survive and pursue its transformative 'mission'. Different from identifying this as '*ambivalence*', like Joseba Azkarraga, I would prefer to call this a '*contradiction*' in the co-founders' conception of the Mondragon cooperative 'project', or, to use their own words, its cooperative 'culture'. In my view you can't simultaneously maintain two essential but contradicting tenets of a particular social construct like 'Mondragon type-cooperatives' and pretend this being a consistent construct. I will return on this issue below.

If we look at the narratives of the co-founders we can safely conclude, despite slight individual differences, for instance regarding the intensity of their criticism, they all sketch a grim, deeply pessimistic future for the Mondragon cooperative 'project'. Ormaetxea even sees 'no future for the cooperativism' (as he experienced it), p. 858. I would argue this pessimism, this feeling of a loss of cooperative identity, embedded even in a 'moribund' sphere, can be explained by putting at work the analytical toolkit containing the theoretical building stones I elucidated in the theoretical Part One of this monograph. I claim my Gramscian inspired, practice-based approach could overcome the dualistic, a-political, and a-historical, mainstream approach as adopted by Joseba Azkarraga in this particular case (study).

Before critically reviewing this author's approach, I would focus my summary of Azkarraga's discourse analysis on his theorizing the concept of 'rationality', drawing on the work of the famous German sociologist, Max Weber.

***Rationalization and the crisis in Mondragon's cooperative culture. A Weberian approach.***

Having focused on the 'objective dimension' of the co-founders' feeling of a loss of cooperative identity in a previous section, Azkarraga focuses now on the 'subjective' dimension of that discourse. In Section 1.3 (pp. 863 – 905) he elaborates on the interrelations between this feeling and the sociological concept of 'rationalization' as developed by Max Weber. The researcher elucidates his Weberian approach in subsequent sections on 'the process of rationalization' and viewed from a more general sociological perspective contextualizes theoretically the rationalization process within perspectives on modernity, 'disenchantment' and secularization.

Azkarraga adopts a Weberian approach to explain the 'subjective' dimension of the co-founders' discourse regarding 'a loss of cooperative identity', or, put otherwise, a discourse of 'degeneration'.

The co-founders display a strong feeling of a fundamental change in the original cooperative *ethos*. They have experienced a change from 'an ethical project' to 'an entrepreneurial project'. As they see it, this change not only regards the social structure of the cooperatives themselves, but also, more generally, a changing 'collective subjectivity' in the Mondragon community, in the Basque Country on to maybe even a global spatial level. They clearly express their feeling of a 'loss of faith', in the sense of faith in the cooperative project in a Arizmendian spirit and of faith in the religious sense. The co-founders diagnose a loss of idealism, 'romanticism' and solidarity. While regretting this evolution, they must admit that Arizmendi's ultimate objectives, his moral pretensions of creating a 'new person' and a 'new social order' have failed to concretize in reality. In their discourse they emphasize a transition from 'a cooperativism out of necessity' to a cooperativism 'of abundance'.

The original cooperative *ethos* of idealism and non-conformism, has been displaced by a constant desire for material wealth. This desire has been translated to 'an entrepreneurial and economic logic'. The ever-growing weight of this logic has produced a Mondragon cooperative culture being 'out of balance', focused almost exclusively on 'profitability' instead of 'profitability *and* an ethical project'. (p. 873). The loss of cooperative identity could be said to be exemplified by this unbalance.

To present an example of the many condemning utterances of the co-founders (in this case regarding the actual 'mission' of the Mondragon cooperatives), this quote from Gorroñoitia:

(...) “Porque yo cuando leo ahora, misión: la satisfacción del cliente. Leo los planes actuales y me parecen una aberración (yo tiendo a exagerar un poco en las expresiones). Absolutamente descarnados.” So, having read about ‘the mission’ of Mondragon being ‘the client’s satisfaction’ he clearly criticizes this evolution as ‘absolutely emaciated (meagre)’, an aberration of the original mission.

The feeling of loss is accompanied by the observation that for many contemporary cooperativists there is little respect for and indifference to the principal and indisputable founder and inspirer don José María Arizmendiarieta. They find this painful as they clearly admire and highly respect him. Another element of the degenerative process concerns what they call ‘the trivializing of the cooperative imaginary’. Azkarraga points at the remarkable coincidence of this element of the co-founders’ critical discourse with notably ‘the more active and ideologic’ members of the Social Councils. They have observed that the only ‘strata’ maintaining an ‘ideological sensitivity’ are to be found in the Social Councils, this ideological sensitivity sometimes Marxist oriented. The Social Councils operated much like trade unions in conventional capitalist corporations and its members, guided by their Marxist ideology, emphasized class struggle. ‘Historically the Marxist conception of many members of the Social Councils directly opposed the cooperative idea’. (Note 801, p. 892.) Drawing on the original Arimendian, Mondragon cooperative ideology, the co-founders, not surprisingly, vehemently criticize this Marxist position of those members. The core idea of the Marxists contradicts their idea of ‘social peace’ (or, if you like, social compromise), being foundational to the Mondragon cooperatives. Class struggle ‘dismantles’ their conception of cooperations.

### ***A rationalization process. Technical-economical and ethical-moral rationality.***

Linking the Weberian technical-economic and ethical-moral forms of rationality to the ‘subjective’ dimensions of the discourse on ‘loss of cooperative identity, Azkarraga points at the domain of *education* that could be seen as a cultural ‘battlefield’. A discursive space for a struggle between a technical-economic and an ethical-moral rationality. Looking at the educational field leaves the co-founders little hope for the future. They note the dominance of technical-economic education and merely a minor contribution of ethical-moral issues. Look at the Mondragon University, the most important educational institution: the co-founders note that this University essentially is a *technical* educational institution. The curricula are predominantly technically oriented while the ethical dimensions have been largely neglected. This tendency demonstrates the ‘forgetting’ of the original and foundational moral-ethical values.

The co-founders explicitly link the ethical-moral rationality to Arizmendi’s social-Christian motive and inspiration. Like Ormaetxea said: ‘You can’t understand ‘the cooperative man’ (Arizmendiarieta) without accepting his Christian-evangelical inspiration’ (p. 901). In their view the ‘degeneration’ of the cooperative spirit of Mondragon is closely interrelated

to the disappearance of the religion's central place in daily practice, so the 'loss of cooperative identity' cannot be separated from the process of *secularization*.

***Mondragon's 'degeneration' in the theoretical context of Weber's rationality thesis.***

In his discursive analysis of the co-founders' accounts of the degenerative tendencies facing the Mondragon cooperatives, Joseba Azkarraga heavily draws on the theoretical framework of Max Weber. "*Sin embargo, habría que seguir más a Weber que a Marx en la siguiente afirmación: la alienación humana no proviene tanto del carácter clasista de la empresa capitalista, sino de la racionalidad tecno-económico, también presente y dominante en la empresa cooperativa moderna.*"(p. 912.). This leaves no doubt about his position in the debate between a 'Weberian' and 'Marxian' approach to concepts like modernization, rationality, class, alienation. The author clearly dismisses a Marxian approach and in contrast proposes Weber's 'technical-economical' rationality thesis, embedded in Weber's alleged more sophisticated approach. Before providing in main lines my critical scrutiny of Azkarraga's conceptualization, I present a brief overview of this theoretical framework as outlined in the section "The rationalization process" of his discourse analysis (pp. 905-914).

According to Azkarraga<sup>487</sup> Weber distinguishes four 'models of social action':

- a) *Goal-directed rational actions*. Regarding instrumental and formal actions determining the efficacy of means to ends.
- b) *Value-directed(oriented) actions*. Regarding actions oriented on particular values or moral principles. For example: the disinterested ascetic actions to obtain health.
- c) *Affective or emotional actions*. This kind of actions regards for instance the worship by members of a fundamentalist sect.
- d) *Traditional actions*. These actions are directed by particular traditions or conventions, routines of distinct communities like for instance of orthodox Jewish congregations.

Complementary to the first mentioned modality of actions Weber distinguished a 'theological rationality'. Alluding to Max Weber's most famous book *The Protestant Ethic and the Spirit of Capitalism*, Azkarraga points at the important, if not decisive, role of this type of rationality in Weber's main thesis on the origin of capitalism. Referring to the work of Tönnies and Durkheim, the author contends that Weber attempts to explain, in a similar way, the structural historical evolution in Western societies. He argues, thereby echoing

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487 Drawing on Lewis Coser: *Masters of Sociological Thought*, New York: Harcourt Brace Jovanovich, 1977, p.218.

Nietzsche, that 'modernity destroyed the Gods'. (p. 907). Modern man transformed in a rationalized, calculating being, displacing the former being governed by chance, sentiments, passions or the 'ethics of charismatic heroes'. For Weber, the determining historical-social process of 'rationalization' lead to ambivalent and contradictory sentiments. On the one hand humanity was liberated from a lot of superstition, prejudice, and errors while knowledge about the natural and social world increased enormously. On the other hand, the alleged advances in the 'moral field' appeared false to him. The religious 'disenchantment' produced the subordination of man to impersonal economic and bureaucratic forces, imprisoned as it were in Weber's (in)famous 'iron cage'. The advent of the Modernist era, accompanied by the process of rationalization with its displacement of the magical elements of thinking caused 'a de-spiritualization' (*'el estuche ha quedado vacío de espíritu'*, p. 908) of society. "To Weber, the modern process of Western rationalization, notably exemplified by capitalism and bureaucracy, served to undermine the 'enchantment' of the former world, that is, the magical, mysterious, and mythical world."

Before applying Weber's basic theoretical orientations regarding the nature of capitalist corporations and modern capitalism to 'the process of rationalization in the Mondragon cooperative experience', Azkarraga briefly summarizes key tenets of this theoretical approach:

1. Like Marx, Weber views mature capitalism as a world which replaced religion by technical rationality as primordial in the social organization. The difference between Marx and Weber is in their conceptualization of the foundational concept of 'alienation'. According to Marx alienation stems from the class character of capitalist societies, according to Weber alienation is caused by bureaucratic rationality, underlying capitalist as well as socialist societies.
2. In the identification of the basic character of modern society Weber differs essentially from Marx. In Max Weber's conception, the principal element of the modern capitalist enterprise constitutes rational calculation, and the rationalization of social life is the most characteristic attribute to modern Western civilization.
3. The human fragmentation originated in the bureaucratic specialization necessarily accompanies the rationalization of human behavior.
4. The 'disenchantment' of the world, required pre-condition for rational capitalism's advent, has transformed the former search for profit from a mean ('this search as a specialized profession') to an end of human activities. For Weber, this 'disenchantment' of the world means an excessive rationalization of modern man, provoking alienation, more and more in contrast to 'the ultimate values'. This is 'the fate of modern times'.

5. That's why the existence of 'contradictions' within capitalism don't produce any historical necessity to resolve these alleged contradictions. To the contrary, the progress in rationalization creating unprecedented material abundance, inevitably stimulates ultimately a separation between the characteristic values of Western civilization (freedom, creativity, spontaneity) and the realities of the 'iron cage' to which the Western man is confined.

Applying these key moments of the Weberian theoretical framework to the Mondragon cooperative experience, Azkarraga concludes:

- 1) Despite Marx's vision, similar to Weber's, of the progressive replacement of religion as a primordial form of rationality by technical-economical rationality in modern capitalist business, the author prefers to follow Weber, because 'the human alienation is not caused by the class nature of a capitalist economy, but in technical-economical rationality of a capitalist corporation'.
- 2) Following Weber, the basic character of a capitalist corporation resides in rational calculation. Being an inherent part of modern Western societies, this characteristic element applies to the (Mondragon) cooperative corporations as well. Even more so because these cooperatives differ substantially from the conventional capitalist corporations. Supplementing the general thesis mentioned before, this provides evidence for the Weberian thesis: the real nature of society in general, like that of the modern corporation neither resides in its class character, nor in the property of the means of production, but in the continuing development of technical-economic rationality.
- 3) The fragmentation of the 'cooperative social body', originated from the growing specialization necessarily accompanies the rationalization process of cooperative behavior.
- 4) The '*disenchantment*' of the world, partly instigated by the thoughts of Arizmendiarrrieta, that is, his conception of a rationalized cooperative, at the same time being a requirement to and the realization of modern cooperativism, transforms what formerly was a 'mean' (the rational search for economic development to realize the cooperative ideal), to an 'end' of cooperative activities. 'This is the possible fate that seems to confront Mondragon's cooperativism: the option of maintaining its cooperative identity seems to contradict the necessary economic expansion (process of internationalization in the context of economic globalization) and threatening its existence as an economic reality; and if they opt for maximizing their business potential it is highly probable that their cooperative vision will be 'de-spirited' (my translation of "*estuche quede vacío de espíritu*"), (p. 913). Viewed from the Weberian,

deeply pessimistic, standpoint, the cooperative experience displays this kind of 'tragedy': if you play the game, you will die, if you don't, you will die as well.

- 5) The advanced rationalization of the cooperative social organization, creating an unprecedented level of material wealth, stimulates inevitably an ultimate separation between the characteristic values of the cooperative philosophy (the consideration of the economy subordinated to ethics; the human dignity, pursuit of a more just social order and a new, freer and more participative person...) and the realities of being imprisoned in Weber's 'iron cage'.

In his summary of this section, the author points at his attempt to explain the evolutionary tendency of the Mondragon cooperativism drawing on the Weberian rationalization theory and locating the modern cooperativism phenomenon within the Weberian theorizing of modernity. According to Azkarraga the evolutionary development of the Arizmendian cooperativism marks a strengthening pragmatic tendency and to a more economic-technical instrumental rationality (a goal-directed rationality), and a debilitating tendency of the social moral, the philosophy, and the values and forms regarding the corporate identity (being cooperators within cooperatives, focusing on value-directed rational actions), provoking a progressive degeneration (or, the term used here, '*deslizamiento*', sliding into similarity to 'other economic realities').

### *The Weberian approach critically scrutinized.*

Drawing on the extended and refined macro cultural psychological approach as I have clarified in the theoretical Part One of this monograph, the Weberian approach of Joseba Azkarraga will be challenged. I would argue that this way of theorizing concepts like modernization, bureaucratization, rationalization, and class is fundamentally flawed and therefore not very helpful in explaining the 'evolutionary tendencies' of the Mondragon cooperative experience. Azkarraga's taking 'the language' of the co-founders at face value, thereby not weighing their pronouncements against their actual political-economic practices, supplemented by invoking the disputable theoretical work of Max Weber (besides Tönnies and Durkheim) inhibits a *critical* approach to the Mondragon cooperative experience as interpreted by these close collaborators of Arizmendiarieta. This research procedure results in basically reproducing Mondragon's '*cosmovisión*', that is, Arizmendi's 'conceptual framework' as an example of a viable, sustainable, and radical democratic alternative to the hegemonic capitalist (political) economic system. As will be explained below in this monograph, his Weberian approach reveals strong ideological and theoretical 'family resemblances', commonalities with the Arizmendian Catholic-corporatist cooperative philosophy (and practice). While these commonalities regard fundamental tenets of the Arizmendian cooperative philosophy, solidarity, and democracy, at the same time constituting deeply problematic aspects in both worldviews, we have to focus on these closely interrelated moments and address them in quite some detail. My claim is that the Gramscian inspired ideology-critical approach as adopted

by Jan Rehmann in his brilliant study of Max Weber provides a fruitful heuristic device to deconstruct the Weberian approach adopted by Azkarraga. Thereby theoretically preparing the groundwork to reconstruct the analysis of the ‘degeneration thesis’ in a ‘oppositional critical’<sup>488</sup> rather than Azkarraga’s ‘affirmative critical’<sup>489</sup> direction.

Unlike Azkarraga in his discourse analysis<sup>490</sup>, my presentation of an alternative approach will not stop short at simply labelling a competing explanatory model as invalid or flawed, but extensively substantiate, drawing on the theoretical and empirical work of a range of distinguished scholars, my alternative approach. Jan Rehmann elucidates the fundamental differences between a Weberian approach à la Azkarraga and a Gramscian approach:

“Reading Weber’s introduction to the Protestant Ethic with this explanatory model in mind, one discovers a skillful arrangement of arguments that has lastingly fooled the authors of much of the scholarly literature on Weber: at first blush, it seems as if Weber were arguing against a monocausal economic model of determination to which he needs to oppose the significance and autonomy of ideal motives. In reality, however, he is setting himself off against a model that posits the *interaction* of economic, political and religious factors; he isolates one of its aspects and posits its predominance with regard to the

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488 See Nancy Fraser’s use of the term ‘oppositional discourses’ in her ‘Unruly Practices, Power, Discourse and Gender in Contemporary Social Theory’ 2007[1989], Polity Press, p. 171.

489 See Klaus Türk, in his volume ‘Die Organisation der Welt’, *Herrschaft durch Organisation in der modernen Gesellschaft*, 1995, Opladen: Westdeutscher Verlag, p. 88: ‘Nicht nur, dass eine solche Kategorie weder grundlagentheoretisch noch empirisch zuträfe, sie hat – obwohl kritisch gemeint – eine stark unkritische Komponente. Wer von Organisationen in Begriffen wie “stahlhartes Gehäuse der Hörigkeit” oder “Unentrinnbarkeit” (wie M. Weber) spricht, lähmt bereits das Denken jeglicher Alternative, betreibt somit in der Konsequenz affirmative Kritik.

490 Azkarraga writes (2006, p. 912): ‘Sin embargo, habría que seguir más a Weber que a Marx en la siguiente afirmación: la alienación humana no proviene tanto el carácter clasista de la empresa capitalista, sino de la racionalidad tecno-económica, también presente y dominante en la empresa cooperativa moderna’.

others.<sup>491</sup> In doing so, he is concerned not only with emphasizing the confessional factor as opposed to the economic factor; he also seeks to privilege the 'intrinsic character' over the 'external' circumstances of the denominations: 'Thus the principal explanation of this difference must be sought in the permanent intrinsic character of their religious beliefs, and not [only] in their temporary external historico-political situations'. (...) 'The co-determination of 'internal' dispositions, which display a certain autonomy regarding external constellations, could be integrated into a historical materialist sociology, to the extent that the latter is not economistic, but rather open to the analysis of hegemonic processes.' (...) 'The very place at which Gramsci sought to overcome economism by developing the concept of hegemony'<sup>492</sup> would here be occupied by the speculative construct of a static internal 'essence' of the denominations.' (my emphasis, Rehmann 2015: 289).

Using the forementioned analytical toolkit I propose an alternative, *critical* approach. More precisely, the critique provided here heavily draws on the neo-Gramscian, ideology-critical work of Jan Rehmann. In his volume 'Max Weber, Modernization as Passive Revolution, A Gramscian Analysis'<sup>493</sup> this German American scholar presents an in-depth analysis of Max Weber's 'ideological configuration'. Rehmann relies his critical appraisal of Weber's theoretical and political interventions on 'an approach drawn from the theory of ideology that has been influenced mainly by Gramsci, Althusser, and the work of the German research group *Projekt Ideologietheorie*. The point is not to comprehensively reconstruct Weber's intellectual influences as such, but rather to understand his contradictory relationship to the influential ideological formations of Germany's ruling bourgeois-Junker power bloc. On the one hand, Weber inserts himself within these formations; on the other, he transforms them with an eye to capitalist modernization.' (Rehmann 2015: 1).

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491 This is overlooked not just in the prevailing reception of Weber, whose exponents attempt to demonstrate the superiority of Weber regarding Marx, but also by most of Weber's critics, who eschew contextual analysis of Weber's argument. By contrast, Turksma can note the following, thanks to his textual comparison between Weber and Offenbacher: "Right from the start, Weber thus makes the "geistige Eigenart" the center, and he further does with Offenbacher's argument as he pleases. The historical-political contingency disappears in a casual remark. The geographical element is missing'. (Turksma, 1962. 'Protestant Ethic and Rational Capitalism: A Contribution to a never-ending Discussion', *Social Compass*, 9: 445-73).

492 Gramsci writes that economism within the theory of historiography needs to be combated 'by developing the concept of hegemony' (Gramsci, 1975[1932-5], *Quaderni del carcere*, Volume terzo: *Quaderni 12-29(1932-1935)*, Turin: Einaudi).

493 Rehmann, J., 2015. *Max Weber, Modernisation as Passive Revolution, A Gramscian Analysis. (English Edition)*. Chicago, Ill.: Haymarket Books. (Paperback version).

For the purpose of my periodizing, that is, theoretically informed historiography of the Mondragon cooperative experience, the scrutiny of Azkarraga's approach will focus on a limited number of key elements of Weber's theories.

***A Gramscian approach to Max Weber's modernization as 'passive revolution'.***

In Rehmann's volume on Weber his basic objective is to expose the theory's ideological configuration. 'I lay no claim to oppose to Weber's analyses an alternative account of 'reality'; rather, I wish to identify the rules of composition by which he construes his ideal-typical concepts. The strategic orientations and blind spots of his scholarship are most evident in what he chooses to emphasize and what he chooses to suppress. To understand Weber as a scholar, one needs to observe how he organizes his ideological concatenations. This, however, is an endeavor that goes beyond the critique of ideology formulated by Critical Theory. In its framework, 'ideology' referred primarily to a consciousness that is necessarily 'false', one that reflects the reifications of the bourgeois exchange of commodities. This suggests a methodological reductionism that traces bourgeois ideology – exposed as 'topsy-turvy'- directly back to an economic inversion, thereby failing to take account of the proper materiality and relative autonomy of ideological powers, practices, and discourses. A critique of ideology that limits itself to demonstrating that Weber's 'value-free' social science in fact only reproduces the capitalist logic of valorization misses what is specifically 'modern' about his approach: both the analytic acuity of his critique of Germany's bourgeois-feudal compromises and his early orientation toward the model of 'Americanism'. A study of ideology that accounts for the fascination exerted by these interventions (thereby demystifying them) needs to consider more closely the ideological formations of the turn of the century, within which Weber operates; it needs to identify the traditions that he picks up on, as well as the elements he adopts and the strategies he employs to integrate those elements into a new arrangement. *The specificity of Weber's approach to modernization consists not in its capitalist orientation as such, but in its anticipation of the rising new formation of Fordism.* (my emphasis, Rehmann 2015: 6).

According to Rehmann, Weber made a conceptual contribution to the differentiation of modern civil society. He presents himself as the general 'organic' intellectual of a bourgeois class that has yet to find itself, and that can only develop the capacity to lead by means of 'political education'. As early as his 1895 Freiburg inaugural address, considered the most important document of Weber's political stance prior to the First World War, one discerns a project of attaining hegemony that consists of two interrelated components: that of separating the bourgeoisie from its Caesaristically mediated alliance with the agrarian class and that of integrating the upper strata of the working class into a modernized, 'rational' capitalism. The more clearly the defeat of the ruling power bloc announced itself during the First World War, the more clearly the contours of a new class alliance emerged in Weber's analyses: an alliance between capitalists and the labor

aristocracy, whose common interest, according to Weber, is that of the 'greatest possible rationalization of economic labor'. This 'industrial-productive bloc' as Gramsci will go on to call it in his analyses of Fordism, is not just meant to replace the Junker-bourgeois class compromise of the Wilhelmine period, but also to pre-empt the danger of the formation of a socialist bloc of workers, peasants, and soldiers. The same Weber who denounces the subordination of the bourgeoisie to the aristocracy propagates the subordination of the labor movement to the class interests of the bourgeoisie. The author refers to this 'two-front struggle' by adopting Gramsci's considerations on '*passive revolution*' (being the sub-title of his book). Rehmman views Weber as the 'critic of a German passive revolution that maintains the bourgeoisie in a state of political and cultural subalternity vis-à-vis the agrarian class; at the same time, he represents what was in his day the most modern variant of a passive revolution against the socialist labor movement. He looked to the well-paid 'Yankee worker', who had adopted the forms of bourgeois society in full. The bourgeois-proletarian industrial bloc Weber propagated would then go on to constitute the hegemonic core structure of mature Fordism, up until the latter's crisis in the 1970s. In the interest of such a bloc, Weber calls on the bourgeoisie to recognize the reality of 'class struggle' and recast it as an 'orderly', purely economic struggle. His model of integration by means of a circumscribed conflictuality correlates with what political theory describes as the transition from '*state corporatism*' to a '*societal corporatism*' that transfers the regulation of social antagonisms from the state to the representatives of the economic classes.<sup>494</sup>

What can be analyzed, with reference to Weber's political interventions, as a passive revolution against the dangers of a socialist revolution, also reproduces itself, in different variants, so Rehmman, within Weber's social theory. Take for instance the transformation of acquisition from a means to an end in itself, by which Weber characterizes the '*spirit of capitalism*'. This issue is already discussed in Marx's *Capital*. But Weber takes the idea from Simmel's *Philosophy of Money*, which wants to 'deepen' Marxism by adding an underlying psychological-metaphysical story and transforms Marxian value-form analysis back into an anthropological contemplation of essences. A similar essentialistic approach, in contrast to Marx's relational approach, can be identified in Weber's relationship with the young Sombart who wished to oppose the Marxian 'economic' approach to his 'historical psychology' of the history of capitalism's emergence<sup>495</sup>. According to Rehmman, Sombart wishes to reject Marx's claim that capital comes into the world 'dripping from head to foot... with blood and dirt'<sup>496</sup>, but his capitalist spirit is still imbued with too much

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494 This linking of Weber's 'bourgeois-proletarian bloc' to the concepts of 'state and societal corporatism' will be addressed more in detail in my account of Holman's study of Spain's 'transnationalization' process.

495 Sombart, W., 1902. *Der moderne Kapitalismus 1: Die Genesis des Kapitalismus*, Leipzig: Dunker & Humblot.

496 Marx and Engels 1975-2005, vol. 35, p. 748.

ruthlessness, state despotism and genocide.' Weber will purge his ideal type of these brutal realities of domination by consistently situating spirit where the powers centers of commercial capitalism are *not* located.' (Rehmann 2015: 10).

Following Rehmann in conceptualizing Weber's politics not in the narrow sense of the history of political ideas, but strategically, as a project of bourgeois hegemony, the internal links to the theoretical concept of a science that is both 'committed to values' [*wertgebunden*] and 'value-free' [*wertfrei*] becomes apparent. Referring to 'the controversial issue of Weber's relationship to the 'southwest German neo-Kantianism' of Windelband and Rickert, Rehmann states that Weber adopts central concepts of that 'ultimately counter-Enlightenment philosophy of values', while simultaneously making them amenable to contrary value choices. 'If his project of modernization is concerned with a social integration that operates by means of a system of circumscribed corporatist conflicts, Weber now delineates a system of contrary and incompatible 'value spheres' that are neatly set off one from the other. The concept of value spheres is the theoretical formula for the corporatist 'compartmentalization' by which the antagonisms of class society are to be regulated. Weber first develops the concept of a 'polytheism of values' in 1916, with an eye to shielding German war policy from Christian pacifist interventions of whatever sort. Opposing the 'ethics of conviction' to the 'ethics of responsibility' fulfils a similar function of securing distinctions; the opposition delegitimizes every fundamental critique of given relations as a form of otherworldly irresponsibility.

In regard to Rehmann's adopting Gramsci's concepts of hegemony and passive revolution in his analysis of Weber's theoretical and political interventions, his approach to Weber's most famous work, *The Protestant Ethic and the Spirit of Capitalism*, reveals 'the hidden *telos*' of this key scholarly work of Max Weber, being 'the historical bloc of Fordism'. Rehmann explains this as follows. 'The *Protestant Ethic*, which Weber calls a 'purely historical account', is also calibrated, from the outset to the modernization aimed at by German capitalism. Its significance consists in the 'ethical' mobilization of economic subjects in the transition to Fordism. The book's first sentence emphasizes the 'predominantly *Protestant* character' of capitalists on the one hand and of the upper, skilled strata of the workforce on the other; the social subjects addressed are precisely those whose alliance Weber's political analyses look to. 'Ascetic Protestantism' consists primarily of two components, Calvinism and Baptism, which represent, in the cultural Protestant semantics of Ritschl, the liberal (Anglo-American) bourgeoisie on the one hand and Social Democracy on the other. The *Protestant Ethic's* hidden *telos* is the historical bloc of Fordism.' (Rehmann 2015: 11).

(...) 'Unlike Sombart, Weber has an acute intuitive sense of the difference between a private bourgeois entrepreneurial spirit and the revolutionary ideology of a popular-bourgeois mass movement (he means here The Reformation, HW): he presents himself

as an ethico-political reformer, one who hopes to modernize German capitalism with the aid of such a mass mobilization and in accordance with a Puritan-American blueprint.'

Rehmann argues that the Fordist perspective also determined the arrangement of Weber's material on the history of religion in his comparative *Economic Ethics of the World Religions*. 'In his history of religion, as elsewhere, he applies the method of retaining only the 'passive' aspect of a revolution and eliding the struggle by which a new ethico-political system develops.<sup>497</sup> The fundamental difference between Weber's sociology of religion and Marxist-inspired or liberation-theological<sup>498</sup> approaches is to be sought in this cropping of the subject matter; it consists in a perspective of inquiry that eliminates from the subject matter's definition the 'sigh of the oppressed creature' and 'protest against real suffering'.

### ***Max Weber and the integration of the modern industrial proletariat into bourgeois society.***

A frequently recurrent theme in Arizmendiarieta's discourse is 'dignity of the work and the working class'. In the section '*Class Struggle as a Mode of Integration into Bourgeois Society*' of his book on Weber, Jan Rehmann addresses the debate on the position of factory workers in Germany at the end of the 19<sup>th</sup> century. The author points out the view expressed by Max Weber. "He (Weber, HW) concentrates on formulating a critique of the patriarchal pastoral stance that treats workers with kind-hearted 'forbearance': 'With regard to his economic distress, the worker does not ask for alms, not for remedies that take the form of charity; he claims a *right* to a larger share of the world's goods'. Weber posits a parallel between this consciousness of a social right and a new attitude towards the ideological powers: what the worker demands from the 'custodians of the moral powers in the life of the people' is positive recognition of his intellectual independence and respect for his own 'moral powers'. He needs to be addressed 'in his own language'. However, such 'respectful' treatment is a far cry from the comprehensive emancipation of labor, understood as producer democracy and self-management (my emphasis): the 'interpellation' that Althusser discusses as a fundamental mechanism of ideological

497 Gramsci criticized such a 'passive revolution' within historiography by reference to Croce, who began his history of Europe not with the French Revolution, but with the Restoration, i.e. in 1815 (Gramsci 1975).

498 It is not by chance that Carl Ratner incorporates in his macro cultural psychological approach the work of the Spanish born Catholic priest and scholar Martin-Baro, who developed a Liberation Psychology and endorsed liberation-theological approaches like of Ernesto Cardenal. Pope John Paul II vehemently rejected such critical approaches. Priest Arizmendiarieta routinely circumvented this kind of disputes, cherishing his 'a-political' and 'neutral' position. See my comparison between Martin-Baro's Liberation Psychological approach to empowerment and emancipation and Arizmendiarieta's Personalist, Catholic social approach in the regarding section of Part One.

subjection is to be organized in such a way as to insure that the interpellated workers 'recognize themselves' in it, thereby becoming capable of submitting to it 'voluntarily'. What Weber is looking for is a new ideological relationship of representation, one in which the workers no longer feature only as objects, but also as ideological subjects who subordinate themselves in the mode of 'autonomy' and 'free choice'.

'Partisanship for the workers needs also to be tolerated. Weber states that personally, he would not be able to cast stones at a clergyman 'who is convinced that the emancipatory struggle of a rising class is a good struggle and one willed by God'. Rehmann continues: 'At first blush, it might seem as if what is being articulated here resembles the liberation-theological approach of a socialist worker-priest. But Weber is concerned with the development of an 'Evangelical-social labor movement' that can prevent the advance of Social Democracy, especially in rural areas. He is particularly concerned with not allowing the Social Democrats to take advantage of the farm workers' hunger for intellectual culture, a task to be coordinated (at least provisionally) by the rural clergy.' (Rehmann 2015: 132). Regarding the re-fashioning of the concept of 'class struggle', Rehmann quotes Weber: 'Class struggle exists and is an *integrating* element of today's social order'.<sup>499</sup> Mommsen<sup>500</sup> quotes this passage and concludes that Weber is following 'in the footsteps of Marxist thought'. This remark is, at the least, imprecise. It takes note of Weber's adoption of one of the socialist labor movement's key concepts, but it overlooks the change of standpoint, from 'active' to 'passive revolution'. As is well known, integration into bourgeois society is not what Marx expected from proletarian class struggles; he looked to overcoming bourgeois society and to the prospect of a self-governing 'association' of free individuals. According to Rehmann, Max Weber re-fashions the concept of class struggle via the ideology of nationalism. He charges the Protestant worker associations with the educational task of taking burgeoning class consciousness beyond the 'philistine' orientation towards material goals and guiding it into the channels of an expansion of national power: 'No one has a greater interest in the power of the national state than the proletariat when it thinks more than one day ahead'.<sup>501</sup> Weber's modern variant of transformism looks to the workforce's active integration into a national bloc. Class struggle becomes a mode of integration into bourgeois society when the proletarian interest can be linked to the nation's imperialist power position.' (Rehmann 2015: 133). Indeed, 'Weber, Sociologist of Empire', as titled Kieran Allen's book on Max Weber.<sup>502</sup>

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499 Weber 1984-2009, vol. 1/4, p. 329 (emphasis added by Rehmann).

500 Mommsen, J., 1974 [1959], *Max Weber und die deutsche Politik 1890-1920*, Zweite überarbeitete und erweiterte Auflage, Tübingen: Mohr, p. 109.

501 Weber, 1984-2009, vol. 1/4 p. 341.

502 Allen, K., 2017 [2004], *Weber. Sociologist of Empire*. London: Pluto Press.

**Max Weber and corporatist cooptation.**

The just briefly outlined integration of the industrial proletariat as a key aspect of Weber's 'passive revolution' closely interrelates with what is termed here 'corporatist cooptation'. Referring to Weber's conception of class struggle, this mode of integration regards the function of the 'integral state' (in Gramsci's terms) in stabilizing the dominant social order and as an ideological power. Rehmann elucidates Weber's position in pointing out his theoretical pioneering of institutional arrangements which have been labelled 'corporatist' or 'corporatist pluralist'.

'If, as Friemert<sup>503</sup> observes, the Weimar Republic functioned according to the 'basic arrangement' of a consensus-building mechanism whose content was a legalized and strictly confined class struggle, then Weber was one of the main theoretical pioneers of this arrangement. Charles Maier has described this consensus-building mechanism as a 'corporatist pluralism' that transfers the regulation of the market and of social antagonism from the state to the representatives of the economic classes themselves.<sup>504</sup> In the terminology of Schmitter, who, differently from Maier, uses the terms 'corporatism' and 'pluralism' to denote two distinct modes of integration, one could describe this as the transition from a 'state corporatism' to a 'societal corporatism'.<sup>505</sup> (...) 'What is prefigured here is a politico-economic equilibrium 'that reserves central power either for conservatives willing to approve rising welfare spending or for Social Democrats willing to allow a reinforcement of capitalism'.<sup>506</sup> Buci-Glucksmann and Therborn speak of a 'corporatism-reformism' that relies on labor organizations (whereas fascism destroys them in order to install different, vertically structured organizations), and they follow Gramsci in analyzing this 'corporatism/reformism' as a variant of 'passive revolution': the integrated working class 'remains corporatist and defends its...interests within the given political framework, without transcending its own economic and class basis by means of a process of hegemonic unification of the various revolutionary subjects.' (Buci-Glucksmann and Therborn, 1982: 131, 135).

'Weber's proposals for the institutionalization of a new mode of integration can be used to show, in an exemplary fashion, that corporatism needs to be examined not only as an 'art of association', but also as a 'strategy of dissociation' and 'compartmentalization'. In

503 Friemert, C., 1980. 'Die Organisation des Ideologischen als betrieblicher Praxis', in *Faschismus und Ideologie*, edited by Projekt Ideologietheorie, Berlin: Argument.

504 Maier, C., 1974. 'Strukturen kapitalistischer Stabilität in den zwanziger Jahren: Errungenschaften und Defekte'. In *Organisierter Kapitalismus: Voraussetzungen und Anfänge*, edited by Heinrich August Winkler, Göttingen: Vandenhoeck & Ruprecht.

505 Schmitter, Ph., 1979[1974]. 'Still the Century of Corporatism?' in *Trends Toward Corporatist Intermediation*, edited by Philippe C. Schmitter and Gerhard Lehbruch, London: Sage.

506 Buci-Glucksmann, C. and Göran Therborn, 1982. *Der sozialdemokratische Staat: Die 'Keynesianisierung' der Gesellschaft*. Hamburg: VSA.

any case, his strategy of a 'passive revolution' against the working class is also based on the drawing of a clear line of division, namely between economics and politics.' (Rehmann, 2015: 146).

This conceptualizing of modes of integration of the working class in capitalist societies plays a key role in the work of Otto Holman on the 'transnationalization' of Spain, which we will discuss below. Moreover, maybe even more important, the concept of 'corporatism' constitutes a determining element in my theorizing 'beyond the degeneration thesis'.

In sum, applying Rehmann's Gramscian concept of hegemony to Weber's theorizing of rationality, bureaucracy, capitalism, and the isolation of the mental and spiritual particularities of societies, provides me a fruitful analytical toolkit to deconstruct Azkarraga's Weberian approach to the 'degeneration of Mondragon cooperativism', that is, regarding the co-founders' discourse of this 'loss of identity'.

To broaden and deepen Rehmann's Gramscian analysis of Weber's theorizing and political interventions, the critical approaches of major critical thinkers like Marxist economist Ernest Mandel, historian Meiksins Wood and sociologist Allen will be presented in brief terms. First, Ernest Mandel and his Marxian Theory of Bureaucratization.

### ***Theorizing bureaucracy: Max Weber versus Ernest Mandel.***

According to Charles Post<sup>507</sup> 'conventional, bourgeois sociology argues that bureaucratic hierarchies are an unavoidable feature of modern societies, whose size and complexity preclude any possibility of popular democratic control over political, economic, and social life. Max Weber saw bureaucracy as the most rational and effective mode of organizing the activities of large numbers of people because it ensured decision-making according to general rules rather than the whims of officials, cultivated trained 'experts', and reduced the possibilities of corruption and nepotism<sup>508</sup>. Robert Michels extended Weber's theory of bureaucracy, originally developed to analyze the officialdom of the capitalist state, to the study of the mass working class parties and unions of the early twentieth century.<sup>509</sup> The "iron law of oligarchy", today embraced by social-democrats and neo-Stalinists, purports that the growth and usurpation of power by a layer of full-time officials are inevitable features of mass working class parties and unions under capitalism and of any post-capitalist social order.' Charles Post claims that 'Ernest Mandel's work provides a powerful Marxian alternative to the Stalinist, social-democratic and bourgeois theories

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507 Post, Ch., 1996. *Ernest Mandel and the Marxian Theory of Bureaucracy*. In: Ernest Mandel Internet Archive.

508 Weber, M., 1979. *Economy and Society: An Outline of Interpretive Sociology, Volume 2* (Berkeley: University of California Press), Chapter XI.

509 Michels, R., 1962 (originally published in German in 1911). *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*. New York: The Free Press.

that deny the possibility of democratically organized workers' struggles and workers' power in the modern world. In a series of works<sup>510</sup>, Mandel presented a complex, coherent and empirically well-grounded response to the notion that the arrogation of power by a minority of officials and experts is the "inevitable" result of complex, large-scale, modern social organization. Mandel argued that bureaucracy is the product of specific, historically limited relations among human beings and between human beings and the natural world, of specific social relations and material forces of production.'

For the purpose of this monograph, I will focus on Mandel's volume '*Power and Money*', outlining his theory of bureaucracy. Particularly because in this work, Mandel explains the fundamental, serious flaws in Weber's theorizing and political practices. *Mandel shows that Max Weber's essential failure in theorizing bureaucracy was his assuming 'that bureaucratic rule is inherently rational. And that is not the case. (emphasis mine).* Bureaucratic rule implies a combination of partial rationality and global irrationality which exactly reflects the parallel combination in market economy and generalized commodity production – that is, capitalism itself – with whose historical rise the bureaucratic systems are closely bound up. It expresses the necessity of a more rationally functioning state to protect the interests of property-owners, one that will assure legal security, non-arbitrary use of monetary systems, safeguards against economic policies that hinder the free flow of commodities, and so on. *But these increments in rationality, for each person, firm or state taken separately, lead to a historically increasing irrationality of the system (the world) in its totality. And of that Weber is not aware.'* (Mandel 1992: 182). According to Mandel, Weber's theory of bureaucracy is, to a large extent, a rationalization of the growth and expansion of the Prussian state, with its specific – and contradictory – ties to an absolute monarchy, on the one hand, and a liberal, cultured bourgeoisie on the other. This rationalization constituted a blind spot to the irrational, conformist and conservative ideologies and motives of the Prussian bourgeoisie tied to the state bureaucracy. Therefore, Max Weber was unable to foresee, let alone counter these tendencies surfacing in the war drive of the Second Reich, and still more in the submission of the German elites to the Third Reich and their endorsements of its imperialist goals. In a similar critical approach to Weber, the Irish sociologist Kieran Allen calls Weber the 'Sociologist of Empire'.<sup>511</sup>

### ***Max Weber and his problematic view on (economic) democracy.***

Ernest Mandel not only shows fundamental flaws in Max Weber's theory of bureaucracy. He provides an incisive critique of his analysis of capitalism and closely allied to that

510 According to Post the most important works are: '*Marxist Economic Theory, Vol. II, Ch. 15, 1970*'; "*What is the Bureaucracy?*" in: T. Ali (ed.), *The Stalinist Legacy: Its Impact on 20<sup>th</sup> Century World Politics* (1984), and '*Power and Money: A Marxist Theory of Bureaucracy* (1992).

511 Allen, K., 2017. *Weber. Sociologist of Empire*. London: Pluto Press.

analysis, his problematic, to say the least, view on democracy in general, and economic democracy in particular. This latter topic being very important in the context of my work on the Mondragon cooperative experience. Weber's theory, despite all its critical aspects, is thus in large measure, a defense and apology for bureaucracy. 'Without doubt it provides an accurate account of how bureaucratic apparatuses actually function – many aspects of which had already been developed in Marx's early writings with which Weber could not have been familiar. But Talcott Parsons and other sociologists have indicated a number of weaknesses in the analysis. Rule through expertise and rule through discipline do not necessarily coincide. Indeed, they can (or, we should say, must) conflict with each other. Bureaucratic apparatuses do not operate in a social vacuum. What is 'rational' and 'efficient' for one social class or layer might be quite contrary to the interests and feelings of another. *Moreover, as Meyer, Stevenson and Webster have pointed out, for Weber efficient administration requires that the public should have little influence over state bureaucracies – a position inconsistent with any definition of democratic government save Weber's own.*' (Mandel 1992: 181-2, *emphasis mine*).

Scholars like Mandel, Meiksins Wood or Allen identify and criticize Max Weber in regard to his problematic views on (economic) democracy. He certainly could not be conceived of as a full-blown democrat. His scholarly and political writings as well as practical-political interventions are at odds to such a depiction. As elucidated in her volume *'Democracy Against Capitalism. Renewing Historical Materialism.'*<sup>512</sup>, Max Weber's reaction to The Russian Revolution and Germany's defeat in World War I 'was not only deeply pessimistic but anti-democratic and irrationalist.' (Wood 2016: 176). And as Kieran Allen concluded<sup>513</sup>: 'Weber's sophisticated attack on Marxism has become the staple diet of modern sociology. His discussion on 'Class, Status and Party'- compiled from fragmentary notes in two different volumes on Economy and Society – forms the central core of most modules on stratification. Typically, a dry formal account of Marx's 'two-class model' versus Weber's 'multi-class model' is presented. As Weber introduces a more sophisticated discussion of 'status' distinctions, he is deemed the implicit winner. What is often neglected is that Marx's theory was based on the concept of exploitation whereas Weber saw social class as only a collection of individual life chances formed in the market place. Important implications follow from this crucial conceptual distinction. Weber's focus on market transactions meant that, rather oddly, he claimed that slaves were not a class purely because they did not live in a market economy. Similarly, because he dismissed the idea of exploitation he treated 'work effort as primarily a problem of economic rationality (and) directs class analysis towards a set of normative concerns centered on the interest

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512 Meiksins Wood, E., 2016. *Democracy Against Capitalism. Renewing Historical Materialism.* London-New York: Verso.

513 Allen, K., 2017. *Weber. Sociologist of Empire.* London: Pluto Press.

of capitalists: efficiency and rationalization'<sup>514</sup>. The issue is not that Marx had a political agenda whereas Weber had a more objective and sophisticated account. Rather than by dismissing the issue of exploitation, Weber wrote from the vantage point of a supporter of capitalism.' (Allen 2017: 177).

***Confronting two contrasting views of the so called 'degeneration' of Mondragon's initial basic values and principles. A historical materialist view versus an idealist-subjectivist view.***

Focusing on Azkarraga's analysis of the Mondragon co-founders' discourse, notably regarding the 'degeneration' of Mondragon's initial, basic values and principles, his approach could be labelled 'Weberian-Freudian'. Drawing on the theoretical perspective underpinning this monograph, I argue this 'idealist-subjectivist' does not and cannot explain the alleged degeneration of Mondragon's original values and principles. Contrary to Azkarraga's approach, who could be considered to represent the mainstream in the vast body of literature on the present problems facing the 'coopitalist' Mondragon co-ops, I propose a radical different explanatory, analytical framework. This approach could be labelled 'Marxian-Vygotskian'.

Drawing on this critical framework I contend the 'Weberian-Freudian' approach reproduces the flawed, contradictory and inconsistent original Mondragon framework and practices, rather than *reconstruct* its genealogy. One of the consequences of this reproductive arguing is the ongoing and long-standing stagnation in the, according to many people involved in the 'Mondragon experience', urgently needed re-conceptualizing and revitalizing of the core ideas and practices of the Mondragon cooperative 'movement'. The lack of progress, reflected in the absence of ideas and practical proposals transcending the Arizmendian original ideas and practices, has been revealed time and again, most prominently in the process of self-reflection, the discourse of the three co-founders (and its analysis) included in the years 2005-7.

For the purpose of this monograph my critique of Azkarraga's Weberian-Freudian analysis of the co-founders' discourse will leave aside several argumentative, ontological and epistemological flaws in the Weberian framework, rather focus on the striking similarities between Weber's, Azkarraga's and Arizmendian/Mondragon's '*cosmovisión*' (worldview) regarding crucial concepts like democracy, solidarity, emancipation and cooperation.

Following Rehmann in this, I argue that Azkarraga's Weberian approach displays key commonalities with Arizmendi's conceptual framework underpinning his cooperative activities, thereby basically reproducing this imaginary, rather than providing a critical scrutiny of these ideas and practices. Taking at face value the co-founders'

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514 Quote from E.O. Wright, '*The Shadow of Exploitation in Weber's Class Analysis*', paper from Department of Sociology, University of Wisconsin, Madison, July 2002, p. 35.

pronouncements, the researcher keeps ‘imprisoned in their ideas’, to quote Dave Renton in his study of fascism. At most, his a-historical, a-political, dualistic approach could be termed ‘*affirmative critical*’. His theoretical blind spots inhibit to interrogate obvious contradictions and inconsistencies in the Mondragon cooperative experience, for instance, the patently obvious false claim to provide a ‘*democratic economic alternative*’ during the dictatorial Franco-regime. Another flaw, resulting of Azkarraga’s Weberian approach, regards his ignoring the ideological common thread characterizing Mondragon’s cooperative philosophy and practice. Historically focusing on the Arizmendiarieta era (coinciding with the Franco regime) this ideological common thread could be termed ‘*state corporatism*’, directly after Franco’s death morphing into the other sub-type of this concept, *societal corporatism*. Although Mondragon’s founder didn’t experience the ‘societal corporatism’ of the PSOE in its early days in power, in Azurmendi’s reading of his cooperative philosophy don José María evolved from a reactionary type of catholic corporatism with strong fascist overtones, at the time (in the 40s) rather easily compatible with Franco’s fascist inspired labor regulations of the ‘Fuero del Trabajo’, to a ‘societal corporatism’ embodied in Social Democrat ‘laborist’ politicians like Ramsay MacDonald or Attlee.

First, applying the concept of ‘*state corporatism*’ facilitates the explanation of the ‘uneasy’ co-existence of the Mondragon cooperative experience and the Franco regime during the Arizmendiarieta era. In contrast to the mainstream narratives of Mondragon’s genealogy, Holman’s scrutiny of the basic influences on Franco’s ‘state corporatist project’ theoretically and empirically facilitates to interrogate the strong ‘family resemblances’ between the fascist originated vision on notably the capital-labor relations (as exemplified by Franco’s ‘*Fuero del Trabajo*’<sup>515</sup>) and the social philosophy of the Catholic Church, being the foundation of Mondragon’s cooperative philosophy and practice. In the words of Holman: ‘*Corporatist practices in fascist Italy, the predominance of corporatist ideologies within the Catholic Church at that time, and, in general, the anti-liberal anti-democratic, and totalitarian spirit that swamped Europe in the inter-war years, all clearly influenced (and gave ideological direction to) the authoritarian, state corporatist project of the Franquist state.*’ (Holman 1996: 56). In this monograph I seek to correct the conventional circumventing of this ‘uneasy resemblance’ between Arizmendiarieta’s cooperative ‘ideology’ with strong corporatist overtones and Franco’s ‘state corporatist project’. Moreover, this scrutiny enables to explain the evident contradiction between the *rhetoric* of ‘democracy’ and ‘solidarity’ of Mondragon’s founding father and the actual, collaborationist *practices* of this priest in Franco’s era.

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515 This formal regulatory framework of notably capital-labor relations in general, and industrial relations particularly, set in force immediately after Franco’s victory of the Civil War, basically ruled these relations from 1938 until 1967

Second, the concept of '*societal corporatism*', prevalent in the first seven to nine years after Franco's death, can be traced back to Arizmendiarieta's approach to cooperativism since about the second half of the 40s. In the words of Joxe Azurmendi: 'Between 1946 and 1948, a surprisingly abundant number of socialist politicians, especially Laborists, suddenly appear scattered through Arizmendiarieta's writings: J. Ramsay MacDonald, S. Stafford Cripps, C.R. Attlee, Leon Blum, etc. *Without a doubt, Arizmendiarieta has discovered socialism, and feels great sympathy for it. (...) We can take for granted that Arizmendiarieta's socialist inclinations became resolved and determined in these years, but that the reconciliation of Christianity (social doctrine of the Church) and socialism was no small problem.*' (my emphasis, Azurmendi 1984: 119-120). In a subsequent point of the periodization, tracing back further to the historical roots of the Mondragon cooperative experience, the focus will be on the state and societal corporatism linked to Arizmendiarieta's cooperative 'ideology' and practices during the Franco era.

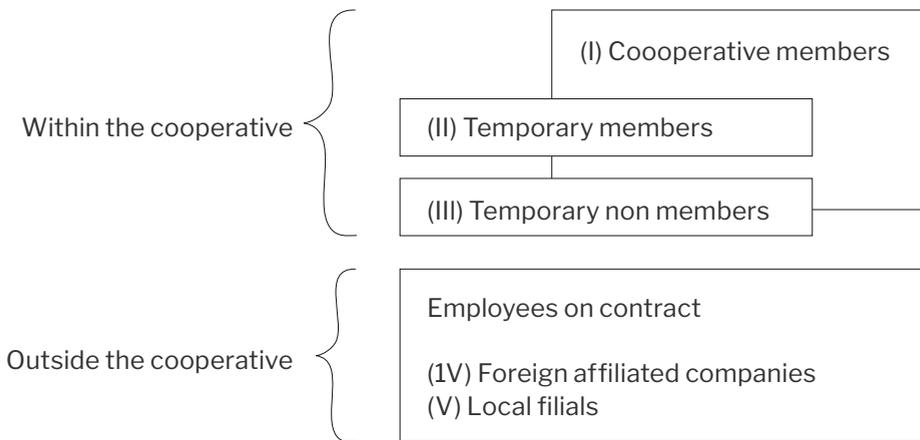
Azkarraga's narrow and reductionist approach to the concept of 'power' inhibits demystifying and opening to critical scrutiny core concepts like 'democracy' or 'globalization'. His uncritical reproduction of Max Weber's approach to history, economy and society, thereby simply labeling Weber's approach as superior to the Marxian historic materialist view and method, without any theoretical and empirical substantiation, is not very helpful in explaining the complexities of Mondragon's cooperative experience. He routinely (as usual in mainstream body of literature) overlooks the problematic conceptualizing of notably the concept of 'democracy' in the theory and praxis of not only the Franco regime, but in the theoretical and political interventions of Max Weber as well as in the works of Hayek, a pre-eminent protagonist of 'neo-liberalism'. His Weberian approach does not and cannot provide compelling answers to key questions like how to explain the problematic views and practices of state corporatist policies of the Franco regime on 'democracy' and 'solidarity', or the problematic relation between Hayekian inspired neoliberalized capitalism and foundational concepts like 'democracy' and 'freedom'. The dialectical relations between 'Mondragon' and its political economic context, dissected at different levels of abstraction are not theorized nor historicized. In contrast to his approach, in my theoretically informed 'periodization' the influence of these ideologies in Mondragon's cooperative experience will be addressed in quite some detail, thereby substantiating the so called 'original sin thesis' as a competing explanatory model for the actual problems facing Mondragon.

Having outlined and critically reviewed Azkarraga's discourse analysis of Mondragon's co-founders, and noting that the article written by Azkarraga, Cheney and Udaondo heavily draws on Azkarraga's analysis, we might assume the co-authors adopt a similar line of argument. This would legitimate a summary of merely some key issues of their reflections 'on and from Mondragon'.

**10.7 Mondragon getting a ‘coopitalist’ multinational: a *contradictio in terminis*?**

Without any doubt, the discourse of the co-founders, as analyzed by Joseba Azkarraga in his 2006 dissertation, revealed the decisive importance attached to their feeling of a ‘loss of cooperative identity’ of Mondragon’s internationalization process notably emerging in the 1990s. In terms of my theoretical perspective, we could safely assert the co-founders viewed this process like one (but not exclusive) important (*pre*)condition of Mondragon’s ‘degeneration’.

So, the next step in my studying Mondragon’s history ‘backward’ focuses on the process called ‘the internationalization’ (in the mainstream body of literature) or the transnationalization’ (in my Marxian-Gramscian-Vygotskyan theoretical framework) of the ‘Mondragon cooperative experience’.



**Figure 3.** *New MCC paradigm: dual system*

In order to address this moment in my periodization of that experience, I will take as a starting point the accounts of a number of experienced researchers regarding the challenges for the Mondragon cooperatives to develop ‘successfully in the globalizing economy’. First, I will present the main findings of a selection of publications about research focusing on ‘cooperatives as multinationals’<sup>516</sup>, ‘the internationalization of

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516 Errasti Amozarrain, A., Begiristain Zubillaga, A., Bakaikoa Azurmendi, B., 2005. *Cooperatives as multinationals: The MCC case.*

cooperatives<sup>517</sup>, 'globalization challenges and opportunities in the development of cooperatives'<sup>518</sup>, 'searching for the cooperative values in times of internationalization'<sup>519</sup>, 'the viability of cooperatives: the fall of the Mondragon Cooperative Fagor'<sup>520</sup>, and 'what do Mondragon coopitalist multinationals look like?'<sup>521</sup>. Second, after presenting a brief overview of these findings, I will critically scrutinize the approach of these researchers in the context of my theoretical perspective as outlined in Part One of this monograph.

Like Joxe Azurmendi in his seminal work on the thoughts of Arizmendiarieta (*El Hombre Cooperativo*), I would prefer to 'sin on the side of maximizing rather than omitting' in my quoting at length the forementioned authors. This procedure fits in my conception of an 'open and fair debate' on an important issue like we are studying here.

***The Internationalization of Mondragon Cooperatives: the account of Anjel Errasti, Iñaki Heras, Baleren Bakaikoa and Pilar Elgoibar.***

In the *Introduction* of the article, the authors point at 'globalization' as 'one of the principal phenomena determining the future of the general business environment of any company'. Succinctly, there are 'four inter-related factors which have given rise to the process of economic globalization: the increase in international relations, the growth of multinationals, the internationalization of markets and the introduction and implementation of new technologies, this last factor playing a particularly significant role in the other three (Castells<sup>522</sup> 1996). Apart from these four elements, globalization clearly involves other aspects of a political, ideological, and cultural nature; that is to say, in the process of globalization, the economic aspect is not necessarily the only or defining one.' (Errasti et al., 2003: 554). Together with this, the authors underline two processes 'intricately linked to the globalizing phenomenon: the processes of internationalization of companies and the consolidation of the multinationals.

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- 517 Errasti, A., Heras, I., Bakaikoa, B., Elgoibar, P., 2003. *The Internationalization of Cooperatives: The case of the Mondragon Cooperative Corporation*. In: *Annals of Public and Cooperative Economics*, 74: 4, 553-584.
- 518 Bretos, I., Marcuello, C., 2016. *Revisiting Globalization Challenges and Opportunities in the Development of Cooperatives*. In: *Annals of Public and Cooperative Economics*, 86: 1, 1-27.
- 519 Flecha, R., Pun, N., 2014. *The challenge for Mondragon: Searching for the cooperative values in times of internationalization*. In: *Organization*, 21(5), 666-682.
- 520 Errasti, A., Bretos, I., Nunez, A., 2017. *The Viability of Cooperatives: The Fall of the Mondragon Cooperative Fagor*. In: *Review of Radical Political Economics*, pp. 1-17.
- 521 Errasti, A., Bretos, I., Etxezarreta, E., 2016. *What do Mondragon Coopitalist Multinationals look like? The Rise and Fall of Fagor Electrodomésticos S. Coop. and its European Subsidiaries*. In: *Annals of Public and Cooperative Economics*, 87: 3, 433-456.
- 522 Castells, M., 1996. *The Rise of the Network Society*, Blackwell Publishers, USA.

'In recent years', so the authors, 'the phenomena surrounding the internationalization of companies have become highly important in the context of current economic globalization, as demonstrated by trade flows, and by direct foreign investment (UNCTAD<sup>523</sup>, 2000). Thus, the process of globalization is contemporaneously both a consequence and a cause of the increase in external trade, of direct foreign investment and the proliferation of the multinationals (Dicken<sup>524</sup>, 1998).

'Cooperatives are not divorced from the phenomenon of globalization of the markets and competition. Nowadays, many co-ops are left with no other choice, if they wish to continue being competitive and remain in the market, but to adapt to the exigencies of a global economy. *The question is: how can a cooperative operate in a global economy?*' (my emphasis).

This phenomenon of transnationalization of cooperatives, export and technology transference activities included, on the one hand 'are not really that different' from the problems facing the rest of small and medium-sized companies, but, on the other hand, they turn out to be 'more complex'. 'In fact, the international growth of the cooperatives is not coming through transnational cooperation, but through foreign direct investment (joint ventures, greenfield investment, and acquisitions), *which clearly diverges from the traditional cooperative approach.*' (my emphasis).

The authors analyze a concrete and current case: 'the problems and the challenges of internationalization faced by the constituent cooperatives of the Mondragón Cooperative Corporation (MCC). More specifically, we first analyze the current situation of the internationalization of MCC *and we demonstrate that the Mondragon experience has been transformed by this process from its historical cooperative principles; and second, we consider measures and strategies which could facilitate international expansion but in a manner which is more in line with those cooperative values.*' (my emphasis) (Errasti et al., 2003: 554).

According to the authors, during the second half of the 20<sup>th</sup> century, Mondragon 'has been the model for successful cooperatives to follow, overcoming the restraints imposed historically by cooperativism regarding their financing, their sizing and even their productive activity. Nevertheless, the development of this experience over the last decade, particularly on an international level, has thrown up certain questions regarding the viability of the Mondragon cooperative model and, consequently, of the cooperative model in general.'

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523 UNCTAD, 2000. *World Investment Report 2000: Cross-border Mergers and Acquisitions and Development*, United Nations, Geneva.

524 Dicken, P., 1998. *Global Shift. Transforming the World Economy*, Chapman publishing, London.

'To assess the results of external growth from a cooperativist perspective, one can start on the one hand, with the analysis of the relations between the cooperatives and the affiliated companies and, on the other, with the analysis of the relations between capital and work in those affiliated companies. Regarding relations between parent cooperative and affiliated companies – such as the locating of the decision-making center and the degree of centralization of that decision-making, or the make-up and origin of the management, the transference of technology, transfer pricing and tax-policy-, a differentiated policy has not been developed. For example, the chief executives of the affiliated companies are expatriates appointed by the parent co-operative, the decision-taking process being strongly controlled and the R&D highly centralized. This is what Chakravarthy and Pelmutter (1985)<sup>525</sup> refer to as “ethnocentric multinationals”, whose attitude towards foreign affiliates is rather like that of a mother country towards its colonies (Dunning,<sup>526</sup> 1993).

'If we refer to the sphere of “Capital-Labor” relations of the foreign affiliated companies, it can be seen that the working conditions and labor relations of these affiliated companies depend not so much on the nature of the parent company, in this case of the co-operatives, but on the conditions extant in the country where each offshoot business is located. There are two clear references: on the one hand, the legal frameworks of each country and, on the other, the conduct of other companies within the same sector in those countries, particularly of the multinationals.'

'The overall outcome of employee participation in foreign plants (management participation, profit-sharing and ownership participation, both at the affiliated company level and at that of the parent corporation and cooperative itself) leaves a lot to be desired from the self-management point of view. Nevertheless, some interesting experiences should be pointed out and which offer important data on how institutional participation by employees of the affiliated companies can take place in social-economic system of Mondragon. In general terms, they are modest advances in ways of participation on the Board of Management of the affiliated company, of profit-sharing systems and even of integration of a number of the local directors of the affiliated companies as “collaboration” part-members of the parent co-operative. Although, other, contrary experiences could also be mentioned.'

'The pattern of foreign investment by Mondragon Cooperatives also shows that neither the objectives of external expansion nor the target countries differ significantly from those by other, more conventional, multinationals with similar characteristics. Most of the

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525 Chakravarthy, B.S. and Pelmutter, H.V., 1985. 'Strategic Planning for a Global Business, *Columbia Journal of World Business*.

526 Dunning, J.H., 1993. *Multinational Enterprises and the Global Economy*. Reading: Addison Wesley.

Mondragon multinationals are market-seeking, in the early days of the internationalization process. Some of them are obliged to follow their big manufacturing clients abroad as suppliers. Another motive for foreign production is that of seeking low production costs; primarily through cheap and well-motivated unskilled or semi-skilled labor.'

The authors emphasize that external expansion has not been detrimental to cooperative employment nor to cooperative autonomy. 'In other words, the principles guiding the internationalization strategy are to preserve MCC cooperatives jobs and sustain the profitability of MCC firms (Urdangarin, 1999)<sup>527</sup>. It has not been a policy of *delocating*, in the narrow sense of the word.' (Errasti et al., 2003: 4).

'The main focus of the Corporation and the cooperatives has been in the industrial and commercial development of the plants abroad, while design of social policy has been put, as it were, on the back burner, following the pragmatic line which has spread throughout the cooperative world (Böök,<sup>528</sup> 1992), and which can be summed up in the following comment: "firstly we place our companies and businesses on the international market and then we try to find formulae which are nearest to our principles and values." In effect, the social policy of corporate internationalization has been marked by an absence of a concrete policy or, which is the same, by carrying out a policy in common with the majority of multinationals.' The authors point at 'the challenge for the MCC cooperatives in the first decade of the XXI century is to generate formulae which facilitate both internal and external development in tune with the principles and values of the Mondragon cooperative experience.'

### *A new organizational paradigm of Mondragon: a dual system.*

According to the authors, the formulae used in developing MCC in the past decade, at an international level above all, brought with it a *new organizational paradigm* of the Mondragon cooperative experience. 'Today, the Mondragón Corporación Cooperativa is made up of a number of different business models wherein various employee groups having different contractual relationships take part: the cooperative nucleus is made up of Cooperative members (group I), and temporary members (group II), a new member type allowed by Basque cooperative law. The cooperative periphery is formed by different non-member workers. The third group (III) is made of non-member workers that MCC is using in its traditional cooperatives (more than 20% of the personnel within the cooperatives, as a form of a more dispensable workforce to answer the increased volatility of the global market. The next group is formed by strictly non-member workforces from the businesses developed abroad (group IV) and within Spain (group V). In this new, dual model or system there are, apart from the cooperatives themselves, conventional companies dependent

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527 Urdangarin, C., 1999. "Internacionalización de Mondragón Corporación Cooperativa", *Ekonomiaz*, nr. 44, Vitoria.

528 Böök, S.A., 1992. *Cooperative Values in a Changing World*, Tokio: ICA.

on the former. 'Some call this new paradigm "neo-cooperativism", because the new strategic perspective attempts to marry what is possible with cooperativist identity (Larrañaga, 1996)<sup>529</sup>; others call it "co-opitalism" because they combine cooperative societies with private capital companies (Defourny,<sup>530</sup> 1999).

"In our view, this transformation process which the Mondragon experience is undergoing is more one of *mutation* than of a simple adaptation. It thus translates as a *qualitative leap* involving changes in value systems and *cultural rupture* and with radical transformations taking place." (my emphasis).

"Thus, this evolution would appear to re-affirm the predictions of the critics of the cooperative system. As pointed out in the historic thesis of cooperative degeneration, in a capitalist economy long-term economic success is not compatible with the maintenance of cooperative and democratic principles (Webb<sup>531</sup>, 1921)."

"We are then, effectively in a period of crisis for the Mondragon cooperative movement (by the term crisis meaning change of model). The old model of enterprise and cooperation is no longer a valid one, and no new one has been thrown up. Thus, today, the Mondragon cooperative model, as with a large number of cooperatives throughout the world, is at a crossroads, on the one hand having to face the great challenges of a globalized economy and, on the other, continuing to be faithful to the founding values of the experience."

In any case, so the authors continue, 'whether the traditional cooperative model is overcome or not, the challenges facing and the ethical commitments of cooperativism are still with us. We thus believe it essential to consider here and now the very nature of the Mondragon experience and the new challenges which it presents, particularly at an international level, taking into account harmonious development, not only in the fields of cooperativism, but also in those of Social Economy.'

### *The challenge of international social-economic policy.*

According to the authors, a number of leading players within the ambit of the MCC have been trying to generate reflection and debate on the social-economic policies -internationally- of co-operatives. 'However, our observations indicate that many members and directors of the cooperatives and the Corporation find themselves in a *dilemma*.' (my emphasis). They identify two, quite diverging, positions in this debate:

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529 Larrañaga, J., 1998. *El Cooperativismo de Mondragón. Interioridades de una Utopía. Aretxabaleta: Azatza (Otalora).*

530 Defourny, J., 1999. *L'Économie Sociale au Nord et au Sud. Paris: Jalons, De Boeck.*

531 An historical overview of this debate can be found in Cornforth et al. (1988).

- 1) *On the one hand*, there is clear anxiety regarding the dangers thrown up by the dual nature (cooperative and capitalist) of the Mondragon social-economic system. 'In this sense, the words of the until recently President of the MCC Corporation, Antonio Cancelo, are significant: "The model we end up with, wherein numbers of cooperativists are proprietors of a group of companies employing a majority of contracted workers, subject to the legal requisites of their respective countries, *distances itself, to the point of being unrecognisable, from the founding project.*" (my emphasis), (Cancelo, 2000)<sup>532</sup>;
- 2) *On the other hand*, there is reticence to extending the values of the cooperative experience throughout the whole Mondragon complex. That process would involve the cooperativization of the whole system, or at least the encouragement of a greater degree of democratization of the governing structures which, apart from being technically complex, not to say nonviable, is not an aim that is shared or desired by all directors and members of the Corporation's co-operatives. The cooperatives wish to continue being leading-edge multinational holdings without endangering the control of the peripheral companies or, even less so, of their enterprise system as a whole. This line of argument is in tune with the proliferation of private capital companies on the periphery of the Mondragon cooperative system and, *although it can create a number of problems of cooperative identity and coherence, this is but the price that has to be paid in order to consolidate competitive positions and to guarantee the social-economic development of the core cooperative companies* (my emphasis), (Urdangarin, 1999).

Summing up this dilemma, the MCC faces 'the challenge of socially defining their policy of international expansion, in line with their principles and values.' (Errasti et al., 2003: 8).

The authors, in their attempt to 'encourage discussion and debate amongst the various agents involved' (in the upcoming process of self-reflection, the RFCE we discussed above), present in their paper 'a summary of the key elements in this development of social-economic policy directed at process of internationalization of cooperative societies', consisting of some 'principles', 'objectives' and 'lines of action':

a) *Principles*

'As we have repeatedly stressed in this paper, the topic of cooperative international expansion contradicts two principles about how centers of power and decision-making arise in cooperatives and in multinationals. (...) On the one hand we have *the cooperative principle of localized cooperative ownership and self-management*, in which cooperative enterprises are autonomous and democratic organizations, run by means of the

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532 Cancelo, A., 2000. 'Globalización y Señas de Identidad', TU Lankide, May, Arrasate.

participation of those who make up the cooperative (based on the "one person, one vote" principle). As is well known, the self-management in the administration of the company is one of the central tenets of the cooperative system. On the other hand, there is *the principle of exclusive and single decision-making by the multinationals* (as exercised by the directors of the affiliated companies who are nominated by the parent cooperative societies) in line with their control of capital. *With these two principles it can be clearly seen the incompatibility of the cooperative system with the conventional multinational enterprise system.* (my emphasis). One possible way out of this contradiction might be found according to the authors in *the principle of intercooperation*, permitting a balanced situation based on inter-dependence and achieving an intermediate position between complete centralization and autonomous management of the affiliated companies.

b) *Objectives*

The objective of a social-economic policy should consist of putting forward a plan for external development coherent with the historic principles and values of cooperativism which can be translated into, primarily, a growing commitment to the social-economic environment and, secondly, in a situation of dependent relations between the parent and the affiliated companies, into the boosting of relations of cooperation and, thirdly, into the recognition by the subsidiaries of workers' rights to participate in decision making concerning the activities in which they are personally and directly involved, through the development of social-working conditions, in a more cooperative way, for the workforce in the affiliated companies.

c) *Lines of action*

Concretely, the lines of action of an international social-economic policy might consider the following variables, (over and above those cooperative ways already mentioned):

- a) *Consideration of social aspects in the planning of external development*, in analyzing the alternatives to transference of licenses, sub-contracting, exports or external production.
- b) *Development and application of management and assessment techniques* of social-economic policy in external expansion which would allow advances to be made in terms of democracy and co-operation, in line with the proposed aims.
- c) *Results distribution policies* are indicators of the commitment of the company to their employees and to the environment if finds itself. Policies which would follow the usual cooperative bias of obligatory reserve funds and education and promotion funds could be set up for affiliated companies.

d) *Development of participation models*, both in management (work organization), profits and property of the affiliated companies, as of the cooperative parent companies. Starting from the improvement of the social and working conditions of employees (contracts, wages & salaries, length of the working day, promotion opportunities, training...), an implementation of procedures which would allow progress in participation and democratic process in the affiliated companies and through the system as a whole. Moreover, consideration would have to be made of at least the following aspects:

- *The origin of the management/administration of the external plants*, the procedure of their election and training
- *The role of the trade unions* in representing the interests of workers in the affiliated companies and channeling their participation in co-managed models. Even the role of these in the very parent cooperatives would have to be analyzed.
- *The participation of the members of the affiliated companies*, or their representatives, as associated members of the parent cooperatives.

‘From the perspective of industrial democracy, the target aim is not the creation of a new model for workers in the affiliated companies, but the development of a one involving the overall participation of those employees. Thus, the importance of creating the conditions and mechanisms which facilitate the participation of workers at all levels. So, the key element is, to our way of thinking, to prioritize people over capital. That is precisely the criterion which distinguishes the cooperative societies from the rest of the companies, and which will condition the level of industrial democracy in the new model.’<sup>533</sup>

e) Involvement in the general, professional, and cooperative education of employees and directors of the affiliated companies (as well as of the cooperative members), in

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533 *The authors note: ‘We believe that in order to guarantee the rights of worker participation in both the national and foreign-based affiliated companies, it is fundamental to continue with the institutional tradition which has been the hallmark of the Mondragon social-economic movement. As José María Ormaetxea recalled in the early years of the Mondragon experience (White, 1988): (Don Jose Maria) urged us every day to make a greater commitment to the labor movement and to the future economic and social transformation of society. Misled somewhat by capitalistic thinking in our first phase, we thought the solution could be found in social reforms of a paternalistic type within capitalist society. But Don José María always insisted that the solution was not to be found in casual reforms but rather in structural reforms; that is to say it was necessary to change sovereignty of capital to sovereignty of labor.’*

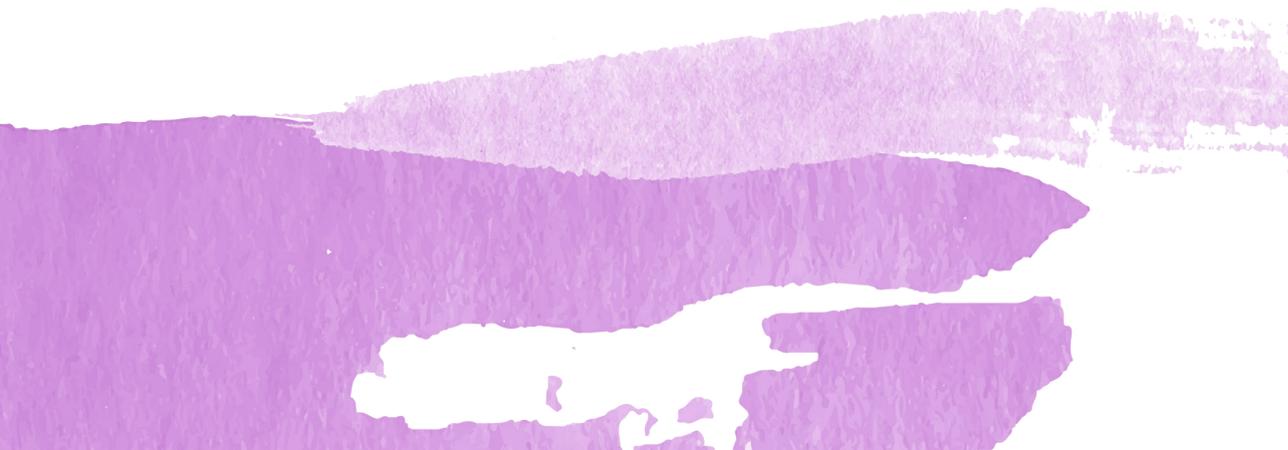
line with the cooperative principle of education, in order to continue to progress in the economic and social development of the companies and their workers.'

The authors conclude their paper as follows: 'The paper sets out to be a first step in the analysis and understanding of the features of the internationalization process of the cooperatives; so, these reflections have the main aim, beyond offering final conclusions, to encourage discussion and debate amongst the various agents involved. Nevertheless, the analysis of the design and application of international social-economic policies based on cooperation and on democracy is clearly at an embryonic stage. There is a long and, indeed, exciting, road to travel.' (Errasti et al., 2003: 16)





## **Understanding Mondragon's globalization process**



Based on the Mondragon cooperative activity between 1996-2006, this research paper, published in 2007 by three researchers from Mondragon University and Deusto University, José Mari Luzarraga Monasterio, Dionisio Aranzadi Telleria and Iñazio Irizar Etxebarria, measures the relationship of creating employment abroad and defending employment at home, analyzes the impact that having production plants abroad has on the number of members vs. non-members' evolution in the parent cooperative and in the company as a whole. Their research includes analysis from 40 production plants in China, India, Mexico, Brazil, and Eastern Europe. In short, its focus is on 'facing globalization threats to community stability'.

The authors explore Mondragon's international multi-localization strategy as an effective strategy to avoid de-localization and defend parent cooperatives employment while creating new jobs in developing countries.

According to the researchers, Mondragon's Globalization Process has 'several key aspects to be analyzed: the maintenance of the cooperative values at home and abroad, the impact of foreign subsidiaries upon the economic development of their regions abroad, the subsidiaries' workers participation in management, profits and property, and the subsidiaries' impact on the parent cooperatives. This article is focused on the impact of international multi-localization strategy on parent cooperatives' local jobs and the evolution of *cooperative employment*.<sup>534</sup>

'Industrial capitalist firms, to remain competitive, may assume parent companies downsizing or closing as strategic alternatives. Mondragon, as a worker cooperative committed to their coop member's community, cannot. International multi-localization *Foreign Direct Investment* (hereafter refers to as FDI) seems to be the solution to avoid *de-localization*, thus defending their local community from the trigger of globalization threats, "unemployment". (Luzarraga et al., 2007: 3).

The article's two main research questions are:

- 1) Do Mondragon's Global Coops through multi-localization FDI, better defend local community stability by creating more jobs in the parent Cooperatives and in their local community?
- 2) Does Mondragon FDI policy have an impact on the evolution of Parent Cooperatives' number of coop members vs. non-members' over time?

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534     *The authors use indistinctly cooperative employment as cooperative members jobs and non-cooperative employment as non-cooperative members jobs.*

In order to answer these questions, the researchers used a specific database based on MCC's Companies' annual activity reports for 1996-2006.

Their paper brings together and contributes to three 'literature mainstreams'. The first includes the paper by Imbroscio, Williamson and Alperovitz<sup>535</sup> (2003) who present different place-based ownership models as a better counterforce to globalization's threats to local community stability. They address this issue, presenting Mondragon and their international defensive strategy to maintain local community stability as a worker cooperative empirical example.

The second mainstream investigates the impact of Mondragon's multi-localization FDI policy on cooperative principles and non-cooperative employment evolution (Bakaikoa et al.,<sup>536</sup> 2004 or Cheney<sup>537</sup> 1999). Their contribution is presenting new data based on a quantitative analysis of Mondragon's cooperative member's evolution in Parent Cooperatives.

The third 'literature mainstream' regards 'the case of Mondragon in Spain', the researchers adding new data to Economic Geography research on FDI impact on parent companies' employment (Barba Navaretti and Castellani,<sup>538</sup> 2003) and on developing countries' support through employment (Karnani,<sup>539</sup>2006). The article is the result of a four-year research project conducted during 2003-2007 by Mondragon University.

### ***Avoiding 'de-localization' by 'multi-localization'.***

While industrial capitalist firms could opt for at least two options, multi-localization or de-localization, the last option meaning closing their parent company and opening the same activity abroad, a worker cooperative like Mondragon has *only one option*: multi-localization, that is, opening factories abroad, not necessarily meaning the closing of existing home factories. This option, it seems to be, so the authors, 'the solution to avoid

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- 535 Williamson, T., Imbroscio, D. and Alperovitz, G., 2003, *Local Policy Responses to Globalization: Place-Based Ownership Models of Economic Enterprise*, *The Policy Studies Journal*, Vol. 31, no. 1, 2003.
- 536 Bakaikoa, B., Errasti, A.M., and Begiristain, A., 2004, 'Gobierno y Democracia en los Grupos Empresariales Cooperativos ante la Globalización: El Caso de Mondragon Corporación Cooperativa', *Revista de la economía pública, social y cooperativa*, No. 048, pp. 53-77, Valencia: CIRIEC.
- 537 Cheney, G., 1999, *Values at Work: Employee Participation meets Market Pressure at Mondragon*, New York: Cornell University Press.
- 538 Barba Navaretti, G. and Castellani, D., 2003. 'Investment abroad and performance at home. Evidence from Italian multinationals', *CEPR Discussion Paper nr. 4284*.
- 539 Karnani, A., 2006. *Fortune at the Bottom of the Pyramid: A Mirage*, Ross School of Business, wp 1035, September 2006, University of Michigan.

de-localization, defending their local community from the impact of globalization's trigger threat, "unemployment."

'Given the fact that the 'international dimension' was identified as a fundamental tool for Mondragon industrial cooperatives competitiveness, a specific Internationalization department was created in the new MCC central services structure in 1990. The first Internationalization four-year plan was launched for 1991-1994 with one objective, 'to promote the cooperatives' internationalization process'. (Luzarraga et al., 2007: 9).

'How has Mondragon been able to maintain employment in the parent companies in the Mondragon region where labor costs are 5-8 times higher cost than in Eastern Europe or 20-25 than in China or India? The phenomenon of downsizing, plant closures and multiple layoffs has reached crisis avoid this same fate, MCC needed to globalize and quickly. A new slogan in the minds of MCC managers typified their approach: "*How many new jobs do we need to create abroad to maintain one job at home?*"<sup>540</sup>

It has been already almost 20 years since Mondragon's first production plant was created abroad and since 1996 there exists homogeneous, comparable data for the Mondragon Cooperatives' activity. So, the authors believe 'this is sufficient time to do a quantitative analysis of the social and economic efficiency of this international strategy. Therefore, we have chosen to analyze MCC Global activity during 1996-2006 for MCC Industrial Division Cooperatives.' (p. 10).

### ***A brief summary of the analysis' main results.***

To operationalize the main research question: are Mondragon Global Coops through FDI, able to defend better than Mondragon Local Coops local community stability by creating more jobs in the parent Cooperatives and in their local environment? The researchers developed 6 working hypotheses:

- 1) Those Cooperatives with at least one production plant abroad create more jobs in their parent Cooperative.
- 2) Those Cooperatives with at least one production plant abroad create more jobs in their Local Community.
- 3) FDI generates a bigger net-job growth in their Parent Cooperative during the three years after starting FDI.

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540     *This question was mentioned in almost all the 100 interviews conducted with Mondragon managers.*

- 4) FDI generates a bigger net-job growth in their Local Community during the three years after starting FDI.
- 5) Those cooperatives with at least one affiliated production plant abroad do not necessarily have a smaller number of members out of total workforce Internationally.
- 6) Those cooperatives with at least one affiliated production plant abroad do not necessarily have a smaller number of members out of total workforce in the Parent Cooperative.

Having applied their quantitative, empirical research criteria, the authors present these results:

'The first and second working hypotheses are accepted: 'Those Cooperatives with at least one production plant abroad create more jobs in their Parent Cooperative (H1) and in their Local Community (H2).' (Luzarraga et al., 2007: 17).

'The third hypothesis (H3) is not accepted, and the fourth (H4) is accepted. 'We may affirm: "The production activity abroad through FDI created significantly more jobs in the Local Community but, even if it created more, is not significantly bigger than the growth in the Parent Cooperative."

From the local community stability, Mondragon Global Coops defend their local community employment from globalization threats better. According to MCC, Global Coops also have better economic results as far as "total sales", "international sales", "turnover" and "Parent Cooperatives total sales". Unlike previous studies in the case of Mondragon there is not a Parent companies' employment net-growth destruction but instead an employment creation. This conclusion is coherent with Imbroscio, Williamson and Alperovitz's (2003) conclusions that presenting place-based ownership models as a superior counterforce to globalization's threats to local community stability. Future studies should specifically confront Mondragon employment growth with neighbor traditional capitalist firms in Spain. (p. 19).

"The previous analysis may prove that Mondragonians were right in their intuition to use international multi-localization FDI as a tool to maintain and increase cooperative employment at home<sup>541</sup>, but the strategy of introducing capitalistic structures might have a direct impact on cooperatives members' evolution."

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541 On Mondragon University postgraduate Master in Cooperativism in March 2007 we had the opportunity to share with A. Cancelo, MCC President in between 1996-2004, he was positively surprised by the historical archival analysis of the strategies they had to promote at that time.

### *Coop members versus non-members, or: what about the 'degeneration process'?*

The authors write: 'numerous scholars have recently pointed out the risk of Mondragon's international policy, which is, growing their non-cooperative employment under affiliated private economic structures. The original Mondragon commitment to never employ more than 10% non-members was exceeded using a variety of contractual relationships. Furthermore, the fact that they do not have a plan to transform these affiliated companies into a cooperative has been considered a departure from cooperative principles (Huet,<sup>542</sup> 1997).

'Therefore, our second analysis is focused on Mondragon Global Coops cooperative member's evolution and their representation out of the total workforce and the Parent cooperatives' workforce. There are previous qualitative analyses on Mondragon workers democratic control *degeneration process* (Kasmir,<sup>543</sup>1996, Cheney,<sup>544</sup> 1999). Our analysis does not measure nor include the qualitative impact, but the quantitative evolution of coop members.' (p. 20).

In their quantitative, empirical analysis of this issue, the authors developed two working hypotheses – as mentioned before – one concerning the number of members out of the total workforce internationally (hypothesis 5) and one regarding the question whether Global Coops do or don't necessarily have a smaller number of members out of the total workforce in the Parent Cooperative (hypothesis 6). The analysis resulted in the rejection of the fifth hypothesis (H5): 'the number of members out of total employees is necessarily smaller for 'Global Coops' than 'Local Coops' measured year by year for the period of 1999-2006.' Hypothesis 6 is accepted: the number of members out of total Parent Cooperative workforce is not necessarily smaller for 'Global Coops' than 'Local Coops'.

'We may conclude that Mondragon's international policy:

- Does not necessarily affect cooperative employment evolution in Parent Cooperatives. Additionally, we may observe that it is bigger in Global Coops increasing from 79% in 1999 to 84% in 2006 while Local Coops go from 59% in 1999 to 75% in 2006. Both are increasing annually while Local Coops is increasing faster.
- Does affect Global Coops cooperative employment evolution internationally. The Global Coops increased from 67% in 1999 to 38% in 2006 while Local Coops went

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542 Huet, T., 1997, 'Can coops go global? Mondragon is trying', *Dollar & Sense*, November 1997.

543 Kasmir, S., 1996. *The Myth of Mondragon*. Albany: State University of New York Press.

544 Cheney, G., 1999. *Values at Work: Employee Participation Meets Market Pressure at Mondragon*. New York: Cornell University Press

from 55% in 1999 to 66% in 2006. Therefore, an international workers participation policy is needed.

Nevertheless, a specific analysis should be conducted to measure the qualitative dimension of democratic of democratic workers participation.' (p. 22).

I will return on this curious final sentence in my critical scrutiny of the accounts of the relationships between globalization processes, the 'internationalization strategy' of Mondragon and the 'degeneration thesis'.



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**The multi-nationalization: a dramatic transformation?**

In their study on the 'rise and fall of *Fagor Electrodomésticos S. Coop.* and its European subsidiaries, published in 2016, three distinguished Basque researchers thoroughly investigated the multi-nationalization process of 'the core Mondragon industrial cooperatives' as 'a dramatic transformation of the Mondragon experience', a process entailing 'new dilemmas, paradoxes and contradictions regarding the objectives of this experience'. Anjel Errasti, Ignacio Bretos and Enekoitz Etxezarreta, analyzing the economical and organizational problems during the downfall of Fagor, and the measures taken to downsize employment in the Basque factories and in the foreign subsidiaries, attempt to further our knowledge about the organizational characteristics of the Mondragon multinationals and reflect on the possibilities of extending the cooperative model to subsidiaries.

In order to present a brief, but also an accurate overview of the authors' approach and argument, thereby following the 'organization' of their article, I will first focus on the paradoxes that arise as a result of the transformation of cooperatives into multinationals, illustrated by the 'Fagor-case'. Second, the internationalization process of parent cooperative *Fagor Electrodomésticos* will be addressed, third, the industrial decline and downsizing in employment at the French subsidiary, *Fagor-Brandt*, and fourth, the situation facing the Polish subsidiary, *Fagor-Mastercook*.

### ***The Mondragon cooperative experience in the context of the 'degeneration thesis'.***

In the first section of their paper, the authors present a short literature review on the theoretical approaches to the Mondragon internationalization process within the context of the well-known verdict of Beatrice and Sidney Webb<sup>545</sup>, called the 'degeneration thesis'. The Webbs asserted that there is an inevitable pressure from the capitalist system, but also that the cooperative members 'will suffer a change in class identification' (Cornforth et al., 1988: 67). According to Errasti et al., theoretical literature has been dominated by models explaining how structural weaknesses cause labor managed firms and worker cooperatives to disappear. Nevertheless, there are many authors that call into question the determinism assumed in the degeneration thesis from both theoretical and empirical viewpoints.

### ***The rise of multinationals, globalization, and cooperative 'degeneration'.***

The rise of multinational enterprises and the consequent globalization of the world economy have been one of the most important economic phenomena of the second

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545 Webb, S. and Webb, B., 1914. *The Cooperative Movement*. London: Longman.

half of the XXth century (Dicken, 2011<sup>546</sup>, Delbono et al.,<sup>547</sup> 2013). Even many small and medium-sized enterprises, including many cooperatives, have had to adopt international growth strategies to remain competitive. This phenomenon has accentuated the degenerative tensions that cooperatives have always had to face to adapt to capitalist market conditions (Spear, 2001<sup>548</sup>, Zamagni and Zamagni,<sup>549</sup>2010). The changes taking place in the global economy pose a considerable challenge to cooperatives today: i.e., how to develop processes of multinationalization that are consistent with their nature (McMurtry and Reed,<sup>550</sup>2009; Flecha and Ngai<sup>551</sup>, 2014).

Since the early decades of its journey, so Errasti et al., the Mondragon experience has been presented by many international academic researchers as ‘evidence to contradict the Webbs’ assertion’. Critical works ‘have been somewhat scarce’, they mention the work of Taylor<sup>552</sup> on the rhetoric in Mondragon, and of Kasmir<sup>553</sup> on the ‘difficult relations with the Basque labor movement’. According to the authors, many of these research have been focused on Fagor Elec., as ‘the largest, oldest and maybe most representative industrial cooperative of the Mondragon group.’ (Errasti et al., 2016: 436).

‘The multi-nationalization of the core Mondragon industrial cooperatives has dramatically transformed the Mondragon experience. However, there is relatively little research that addresses this phenomenon, which is closely related to the Webbs’ assessment. Most of the research on Mondragon cooperative-multinationals has underlined that international expansion has not been detrimental to local employment. Many studies also highlight that one key to dealing with the crisis has been the internationalization of the cooperatives.

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- 546 Dicken, P., 2011. *Global Shift, Transforming the World Economy*, 6<sup>th</sup> ed., London: Chapman Publishing.
- 547 Delbono, F., and Reggiani, C., 2013. ‘Cooperative firms and the crisis: evidence from some Italian mixed oligopolies’, in: *Annals of Public and Cooperative Economics*, 84, 4, 383-397.
- 548 Spear, R., 2001. ‘Globalisation et stratégies des coopératives’, in : Coté D., ed., *Holdings Coopératifs: Evolution ou Transformation définitive?* Brussels: De Boeck, pp. 115-138.
- 549 Zamagni S. and Zamagni V., 2010. *Cooperative Enterprise: Facing the Challenge of Globalization*. Cheltenham: Edward Elgar.
- 550 McMurtry J. and Reed D., 2009. *Co-operatives in a Global Economy: The Challenges of Co-operation across Borders*. Newcastle: Cambridge Scholars Publishing.
- 551 Flecha R. and Ngai P., 2014. ‘The challenge for Mondragon: searching for the cooperative values in times of internationalization’, *Organization*, 21, 5, 666-682.
- 552 Taylor, P.L., 1994. ‘The rhetorical construction of efficiency: restructuring and industrial democracy in Mondragon, Spain.’, *Sociological Forum*, 9, 3, 459-489.
- 553 Kasmir, S., 1996. *The Myth of Mondragon: Cooperatives, Politics, and Working-Class Life in a Basque Town*, Albany: State University of New York Press.

Errasti, Bretos and Etxezarreta argue ‘there is a need for more research and a closer, more critical examination of the paradoxes and chiaroscuros in the relations between Mondragon cooperative parent companies and their capitalist foreign subsidiaries. The question is: are the multinationals of Mondragon Humanity at Work really different from conventional multinational corporations, as the company’s slogan and mission statement would suggest?’

The researchers focus their study on the organizational character. Point of departure builds the organization theory concerning two different approaches multinationals could develop in order to ‘balance the need to coordinate and integrate operations’, that is, the *dominating* and *federative*, or, in other terms, the *hierarchical* or the *heterarchical* (Hedlund,<sup>554</sup> 1993).

‘The dominating multinational reflects a clear hierarchy in which the corporate headquarters decides and implements the main strategies for the entire multinational. By contrast, in the federative multinational firm, the headquarters must compete with different subsidiaries for strategic influence, in a model closer to a business network (Goshal and Bartlett, 1990). According to Hymer, multinationals will seek to reduce the federative nature of multi-nationality because it is inimical to multinationals’ controlling elites (Hymer,<sup>555</sup> 1979). In the case of the Mondragon multinationals, on the one hand, one might expect their cooperative principles to prompt them to implement a model closer to the federative or heterarchical model. On the other hand, it is possible that not just the top management of the Mondragon multinationals but also the working members, as owners and employees of the parent company, may try to limit the federative nature of multi-nationality.’ (Errasti et al., 2016: 438).

***Fagor: from pioneering cooperative to multinational, eat or be eaten.***

Fagor pioneered the Mondragon cooperative experience. It came into being in 1956 when five ex-students from a technical college in Mondragon, imbued with the social transformation ideas of the priest Arizmendiarieta, started producing small lamps and heating devices (Ormaetxea,<sup>556</sup>1999). Fagor played a key role in launching other industrial cooperatives as well as the financial cooperative Caja Laboral, the social security

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554 Hedlund, G., 1993. ‘Assumptions of hierarchy and heterarchy’, in: Ghoshal S. and Westney E., Eds., *Organization Theory and the Multinational Corporation*, New York: Routledge.

555 Hymer, S., 1979. *The international division of labour*, in Felton Van Liere N.J., R.B. Cohen and Nkosi M., eds., *The Multinational Corporation: A Radical Approach. Papers by Stephen Herbert Hymer*, Cambridge: Cambridge University Press.

556 Ormaetxea, J.M., 1999. *Orígenes y Claves del Cooperativismo de Mondragón. Aretxabaleta, Basque Country, Euskadiko Kutxa.*

cooperative Lagun Aro and research cooperatives like Ikerlan. Ultimately, it inspired the creation of the Mondragon Cooperative Group (Larrañaga,<sup>557</sup>1998).

From the 1990s to 2010s, Fagor's international growth was impressive. Expressing an opinion common among Mondragon managers (Cheney, 1999, Irizar, 2006), a top manager at Fagor Fabian Bilbao, noted that 'growth and internationalization are not just the only way to be competitive, but also the sole means of survival'. *The Fagor cooperative became a multinational to be able to compete with multinationals that had become established in Spain after the country joined the European Union in 1986.* (my emphasis, I will return on this issue below in my addressing the 'Project Europe' of the PSOE government during the period ranging from 1982 to 1992). After expansion mainly aimed at North African and Latin American markets, a process with 'rather mixed outcomes', in the late 1990s Fagor decided to focus on European markets, establishing a joint venture with the German company Vaillant and taking over the Polish cooker manufacture, Wrozamet.

'The great leap forward came in 2002, when Fagor participated in the takeover of the French competitor *Brandt Électroménager*, which at the time was as large as Fagor. Later expansion also took Fagor into China in 2003 (Errasti and Mendizabal,<sup>558</sup> 2007). As a result of this growth,' Fagor *bazkideak* (members), who represented one third of the total workforce, were confronted with the dynamics of a multinational corporation competing in highly globalized international capitalist markets.' (Errasti et al.,<sup>559</sup> 2017: 440).

### *The rise and fall of Fagor.*

According to the authors, the rise and fall of *Fagor* 'took place over a very short time span.' At the peak of the Spanish property bubble in 2006, over 11,000 people worked for the Fagor multinational group. By 2013, that is to say, in the midst of the recession, only a little over 5,500 of those jobs remained. In the same period, Fagor's sales also fell sharply, and the company experienced a 30% drop in turnover. During Fagor's last five years the company underwent continuous and increasingly severe losses.

The authors emphasize Fagor was not the only one experiencing problems: the entire electrical household appliance sector found itself immersed 'in the toughest situation it had had to face in its life. The sector being dominated by a small number of large

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557 Larrañaga, J., 1998. *El Cooperativismo de Mondragón. Interioridades de una Utopía.* Aretxabaleta, Basque Country: Mondragon Corporacion.

558 Errasti, A. and Mendizabal, A., 2007, 'The impact of globalization and relocation strategies in large co-operatives: the case of the Mondragon Co-operative Fagor Electrodomésticos S. Coop', *Advances in the Economic Analysis of Participatory and Labor-managed Firms*, 10, 265-287.

559 Errasti A., Bretos, I., and Nunez, A., 2017, 'The viability of cooperatives: the fall of the Mondragon Cooperative Fagor', *Review of Radical Political Economics*, 1-17.

multinationals and Fagor being one of the smallest competitors with only a 6% market share, 'it experienced severe pressures.' It was under considerable competitive pressure from firms from emerging economies and was facing severe financial shortfalls. "As one worker-member of Fagor put it, 'the days of external growth via takeovers – *the eating period* - have come to an end; another cycle – *the being eaten period* – is now underway. This is the law of the jungle.'" (Errasti et al., 2016: 441).

Despite intensive efforts to 'rescue' the cooperative multinational, the deployment of several 'traditional Mondragon solidarity mechanisms' like for instance, relocation or early retirement, financial aid from the Mondragon Group itself, the Basque and national government, and some banks, ultimately, bankruptcy proved to be inevitable: in November 2013 the Mondragon 'flagship' was declared bankruptcy and passed into administrative receivership.

### *The French Fagor-Brandt subsidiary.*

In 2005 Fagor and the Mondragon Corporation bought all stakes in Brandt Électroménager, an old French electrical household appliance company, founded in 1924. At the time this company maintained five production plants in France and one in Italy. Via this takeover, Fagor retained several 'well known and worthy trademarks' and a 17% market share of the French electrical household appliance market and has significant technological capacity, particularly in induction ovens, cookers and washing machines.

The authors point at two important elements in the follow up of this takeover. First, they emphasize 'the longstanding union culture among Brandt workers, combined with French labor regulation, that has traditionally granted substantial bargaining power to unions, has helped ensure their influence in the company'. Moreover, they point at the turbulent social history of this French company, witnessing numerous company transformations and adjustments having 'hardened the attitudes of workers and trade unionists'. And as we will see in my periodization of Mondragon's history below, this French combative unionist culture sits 'inconvenient' in Mondragon's corporatist Arizmendian philosophy and practice. Errasti and his co-authors illustrate this difference by quoting a CGT representative in Lyon: "Nothing changed. Fagor-Brandt is governed by the same rules as the others – they only want to obtain profits."

'Within this context, it is not surprising that relations between the parent company and trade unions – which represent the direct workforce as well as managers and executives – *has been tense and difficult*: many stoppages and strikes have been called at the various

Fagor-Brandt plants (Nahapétian,<sup>560</sup>2010, Amado-Borthayre,<sup>561</sup> 2009).’ (Errasti et al, 2016: 443, my emphasis).

Second, they emphasize what they call ‘innovative solutions in view of relocation at Fagor-Brandt’. So, ‘despite difficulties, there were cases in which the cooperative philosophy underlying Fagor’s business practices have resulted in more worker-friendly policies than might be expected of a conventional multinational. This was noticeable in the job maintenance experiences in conjunction with the transfer of the Lyon plant (France) in 2011 and the Verolanuova plant (Italy) in 2012. These plants have both been transferred, not sold, to company groups outside Fagor to produce other products, accounting for most of the current employment.’

### *The Polish Fagor-Mastercook subsidiary.*

In 1999, Fagor took over the Polish company Wrozamet S.A. in an auction that took place as part of the privatization process of hitherto state-owned companies. Fagor and the Mondragon Corporation acquired 76% of the company via a joint investment totaling 31.25 million Euros, subsequently acquiring almost the entire company (Ugarte,<sup>562</sup> 2006, Errasti and Mendizabal, 2007).

### *Trade union participation and disputes at Fagor-Mastercook.*

“Despite not offering the highest tender, the bid submitted by Fagor was the one preferred by the unions represented at Wrozamet and, ultimately, by the Polish Government. One of the reasons was the social package offered by the cooperative, which, apart from maintaining the highest number of jobs, included social improvements for the workers and worker representation on the company’s Board of Directors (Ugarte 2006, Errasti and Mendizabal 2007).

Regarding the relationship between the company’s management and the dominant Polish trade union of *Solidarnosc*, this could be called harmonious and constructive. ‘According to the human resources manager at Fagor and representative on the Board of Directors of Fagor-Mastercook, Xabier Bengoetxea, ‘the presence of trade union representatives on the Board of Directors facilitates relations with the workers, even in the most difficult of times.’ Unlike the management, *Solidarnosc* inspired trade unionists and the Polish

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560 Nahapétian, N., 2010. ‘Fagor, une coopérative mondialisée’, *Alternatives Economiques*, 29, 1 May, 67-81.

561 Amado-Borthayre, L., 2009. ‘Enjeux de gouvernance dans une cooperative multinationale : fagor electrodomesticos face a la globalisation et al critique syndicale’, *Pôle Sud*, 31, 87-102.

562 Ugarte, J., 2006. ‘Análisis de una experiencia en la Europa del Este, El Caso Fagor Polonia’ in Irizar, I., ed., *Cooperativistas, Globalización y Deslocalización*, Arrasate, Mondragon Unibertsitatea.

government led by President Lech Kaczynski, there were other workers' representatives, of the trade union called Sierpen 80, who proved to be much more critical of the corporate governance of Fagor-Mastercook. Sierpen 80, 'despite being a minority trade union within the company, announced a call to strike against the 'super-exploitation' measures being taken (regarding a reduction in wages and decrease in the workforce). 'According to Boguslaw Zietek, the national leader of Sierpen 80, 'this call was heavily repressed: one union leader was arrested, and two others were dismissed. Solidarnosc behaved like a *company union* bought by management.' The trade union engaged in a censure campaign in the media in the Basque Country (Berria, 2008, Gara, 2008), and activists mounted an international campaign in the social media on behalf of the dismissed workers. In the words of human resources manager at Fagor-Mastercook, Ana Pitulec, the dismissals were justified because 'the workers had abandoned their workplace in order to call the strike. Moreover, the judge in the case ruled in favor of the company.' The Chairman of Fagor claimed that 'this was a minority trade union that sought notoriety.' Solidarnosc categorizes Sierpen 80 as being a 'radical trade union on the extreme left.' (Errasti et al., 2016: 445).

### ***Findings and discussion. Fagor: a different kind of multinational?***

As mentioned before, this study focused on the *organizational* character of a 'coopitalist' cooperative multinational like Fagor Electrodomésticos S. Coop'. The authors, drawing on the theoretical construct of two different organizational approaches, the dominating versus the federative (or the hierarchical versus the heterarchical) model, provide empirical evidence for the approach of Fagor by far being closer to the *dominating* than to the *federative* model. In the section 'Extension and survival of the cooperative model' of their paper they argue as follows. 'Not only was the survival of the cooperative model in jeopardy, but so was that of the company itself. Moreover, the cooperative nature of the parent company constrained Fagor's ability to merge strategically with competitors, as such mergers would likely lead to Fagor losing its cooperative character. Fagor's commitment to the cooperative movement was evident, and the parent company tried to continue to be a cooperative. *However, the extension of the cooperative model to European subsidiaries, let alone to subsidiaries in Africa and Asia, appeared unlikely. Even if the European Union were to allow the creation of a European cooperative society (European Council 2003), neither Fagor members nor workers nor trade unionists at Fagor-Brandt and Fagor-Mastercook seemed all that keen to become a European cooperative.* Company trade unions in Poland and France did not consider this option realistic and nobody was seriously proposing it. *Meanwhile – and this was a determining factor – the top management and worker-members in the Basque Country did not want to lose control of the company or of its subsidiaries.* As a Fagor member pointed out, 'workers at Fagor-Brandt and Fagor-Mastercook might form a majority and, for instance, decide to close down the Mondragon plants.' (Errasti et al., 2016: 447, my emphasis). *Moreover, converting subsidiaries into cooperatives or considering transformations in corporate governance 'was clearly not among its objectives'.* The authors referring here

to The Corporate Management Model (CMM) and the subsidiary *participation model*, put forward by the Mondragon Group in 2010, these models resulting of the institutional, broad-based reflection process, entitled 'Reflection on the Meaning and Future Directions of the Cooperative Experience, the RFCE. They continue: 'The Social Council of Fagor wholly supported the view of the Board of Directors and the management regarding the social policies implemented in international expansion. 'The priority of the *bazkideak* now is to save our jobs', as Mikel Mateos, the vice president of Fagor's Central Social Council argued. Within the Fagor plants in Mondragon the only critical voices came from the members of the small quasi-union AK (Ahots Kooperatibista), which argued that '*proclamations made by Mondragon to transfer the cooperative spirit to subsidiaries are not credible, because the purpose of these is to serve the cooperatives.*' (Domenech et al.,<sup>563</sup> 2006).

*'The experiences at the Fagor-Brandt plant in Lyon – first following its takeover by Fagor in 2005 and the in the wake of its subsequent transfer to another company group in 2012 – form an interesting case that can shed light on the differences between management by Fagor and management by previous and subsequent owners. In the opinion of practically everyone, including workers, management, and trade union representatives, and even members of Fagor itself, there were no noteworthy differences.'* (Errasti et al., 2016: 448, my emphasis).

'In short, we found that the international plant management and the extension of the cooperative model were closely connected in Fagor. Economic, legal, cultural and investment barriers underlined in other cooperativization attempts (Flecha and Ngai, 2014) hampered the implementation of cooperative models in Fagor's subsidiaries. *However, probably the most difficult barrier to overcome was the resulting loss of control over the subsidiaries that could threaten the jobs of cooperative members at the parent company.*' (p. 448, my emphasis).

'With regard to the integration-responsiveness dilemma in the multi-location production of Fagor, the results of the research presented here reflect the fact there was no doubt as to who governed the multinational Fagor. The Fagor international organization was based on a clear hierarchy in which the cooperative headquarters, elected and controlled by the worker-members, decided the overall strategies regarding production, R&D, investments, strategic alliances, etc. (...) The various foreign subsidiaries were socially isolated from one another, as the lack of a European Working Council or any other workers' global representation body demonstrates. The divisions among the foreign subsidiaries and the lack of communication both among them and between and the *bazkideak* facilitated the wielding of company power by top management within the Fagor multinational.'

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563 Domenech A., Lekue, E. and Olabe, M., 2008. 'MCCren Internacionalizazioa', *Berria*, 1-13, 2008.

The authors note that the parent company Fagor – top management as well as worker-members – did not seem interested in developing a federative nature for the group or in relinquishing power to foreign subsidiaries, although occasionally giving more voice to trade unions than a traditional multinational might do (as, in the Polish plant discussed before). ‘In this sense, Fagor and Mondragon multinationals will federalize only to the extent that doing so does not detract from the ability of the cooperative headquarters and the members *to retain control* over the multinational group and the subsidiaries. *That reality*, more than economic, legal, cultural, and investment-related barriers mentioned by Flecha and Ngai (2014), *would be the principal obstacle* to any effort to transform Mondragon’s foreign subsidiaries into cooperatives.’ (p. 450, my emphasis).

‘The case of employment preservation presented similar ambiguities. Despite the dominant nature of the Fagor multinational, it had displayed substantial sensitivity to job preservation. Fagor endeavored to minimize the social cost of its restructuring measures both at the cooperative plants and at the plants of the European subsidiaries. (...) In the Basque Country, the Mondragon solidarity mechanisms, and the capacity for sacrifice on the part of members shaped the way that Fagor dealt with the current crisis and with job losses; both of these make cooperatives extremely resilient companies, but not invulnerable. Most of Mondragon cooperatives have so far coped with the crisis without company closures or the dismissal of worker-owner-members, something accomplished by putting Mondragon solidarity mechanisms into practice. In the case of Fagor, nonetheless, the cooperative nature of the parent company, and its emphasis on defending members’ jobs at all costs, may have had a negative effect on the subsidiary plants and on the future of the company as a whole. An international division of labor existed within the company, not only because of the division into a cooperative nucleus and a capitalist periphery made up of multiple subsidiaries, but also stemming from the prioritizing of the Mondragon plants over other subsidiaries in terms of jobs, the manufacture of products with higher value added and core functions such as R&D capacity, as Hymer has suggested (1979). This division was even more marked if one includes the subsidiaries located in the developing countries, such as those in China and Morocco (Errasti,<sup>564</sup> 2015), in the analysis.’

‘In summary, while the point of reference of most multinationals is the rate of profit that is earned elsewhere (Burawoy, 1985), the primary point of reference in Fagor was maintaining local jobs and local control. This is consistent with research recently conducted by Heras (2014), which concludes that job security is the strongest tie binding members to the cooperatives. The objective of preservation of local cooperative employment instead of profit maximization, derived from Fagor’s worker-owners democratic approach to decision-making, conditioned its strategy, and was not helpful

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564 Errasti, A., 2015, ‘Mondragon’s Chinese subsidiaries: coopitalist multinationals in practice’, *Economic and Industrial Democracy*, August, 36, 479-499.

in trying to keep the cooperative competitive in a global industry. However, in our opinion, the badly timed expansion and the intensity and the duration of the European – and mainly Spanish – economic recession, which also brought down many conventional businesses, was far more significant in determining the failure of the Basque cooperative.

‘Global capitalism and the transformation of some Mondragon cooperatives into multinationals have accentuated the tension, predicted by the Webb’s, between cooperative principles and success in a capitalist environment. As we have seen, Fagor maintained its cooperative principles in the companies in the Basque Country, as much as democratic governance and participatory systems can be developed in large market driven cooperatives (Cheney 1999, Heras 2014). *Nevertheless, Fagor failed in its aim to develop another model of cooperative-multinational more in tune with participation and cooperation principles.* Studies that have examined specific regeneration schemes at different Mondragon multinationals (Errasti 2003, Luzarraga et al. 2007, Luzarraga and Irizar 2012, Bakaikoa et al. 2013, Flecha and Ngai 2014, Storey et al. 2014), show that regeneration schemes have been relatively rare and unsatisfactory. These initiatives have not significantly managed to encourage workers to participate in the management, ownership and profits of subsidiaries, in a way that would clearly distinguish them from conventional multinationals subsidiaries. Indeed, one of the main challenges for cooperatives today is to develop processes of internationalization that are consistent with their democratic nature through the integration and replication of cooperative structures into international expansion (Radrigán and Barría<sup>565</sup> 2007, Flecha and Ngai 2014).

In the final concluding remarks, the authors write: ‘In the present environment, merely surviving in the global capitalist market economy is a challenge for many cooperatives. *Applying cooperative principles presents special challenges in the multinational company setting, giving rise to a plethora of dilemmas, paradoxes, and contradictions.* Nevertheless, the Mondragon cooperative-multinationals offer a unique opportunity to explore new channels towards expanding economic participation in international business activities. *We expect that the analysis conducted here, together with future research in the fields of cooperativism and multinationalization, will help the over one hundred cooperatives of Mondragon, especially the multinationalized cooperatives, and other cooperatives of the world, to develop governance and managerial models that contradict the Webbs assessment.*’ (Errasti et al., 2016: 451; my emphasis).

### *The fall of Mondragon’s flagship and the degeneration thesis reconsidered.*

The research conducted by Errasti, Bretos and Etxebarreta provides valuable and revealing insights in the rise and fall of *Fagor Electrodomésticos*, widely known as ‘Mondragon’s flagship company’. The authors not only make a substantial contribution

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565 Radrigán, M. and Barría, C., 2007, ‘El rol de las cooperativas en un mundo globalizado’, Quebec: Irecus.

to the company's history by offering a fairly 'thick description' of that history, but also to the ongoing debate about the so-called 'degeneration thesis' as articulated by the Webbs as early as 1914. In view of the theoretical perspective applied in this monograph, the researchers provide empirical evidence of Fagor's double failure. First, a failure in the strict economic sense of running out of business and being declared bankrupt, second, a failure in the sense of Mondragon's internationalization strategy, combining its cooperative values and principles with being competitive in a 'globalized capitalist world market'. Their analysis rather accurately describes this double failure, but unfortunately falls short in providing a compelling explanation by merely pointing at but failing to scrutinize the 'internal' determining factors, thereby reflecting a 'dualist' approach, inhibiting a more fruitful relational-dialectical approach. Even apart from the limitations of a dualist approach in general, their shallow assessment of the internal decision-making process, if not completely ignoring the internal power relations, inextricably related to the 'external' power relations (see the critical remarks of Iñaki Heras on this issue), hampers to answer the crucial question *why 'Fagor's worker-owners democratic approach, conditioning its strategy, was not helpful in trying to keep the cooperative competitive in a global industry'*. In other words, their *descriptive* approach enables them to provide empirical evidence of Fagor's double failure, but lacks a heuristic device, an analytical toolkit, to offer a satisfactory *explanation*. They conclude their paper with the 'expectation' that their analysis 'will help the Mondragon cooperatives to develop governance and managerial models that contradict the Webbs assessment'. In my view, their one-dimensional, insufficiently historicized and under-theorized approach unfortunately limits its added value as suggestions for the cooperators' attempts to develop models contradicting the 'degeneration thesis'. A key flaw of this conventional, mainstream approach regards the routinely referring to the foundational 'values and principles' of the Arizmendian cooperatives without critical scrutiny of the *original* contradictions and inconsistencies of the founder's theory and practice. Basically, the philosophical-theoretical underpinnings of Mondragon's practices are taken for granted, taking the language of Arizmendiarieta at face value. This criticism takes up two key suggestions for further research on the relationship between cooperatives and neoliberal globalization by Ignacio Bretos and Carmen Marcuello in their insightful paper on 'revisiting globalization challenges and opportunities in the development of cooperatives'<sup>566</sup>.

First, in '*putting the cooperative principles and values at the center of the analysis*, since they explain the different behavior of cooperatives compared to conventional organizations (Heras,<sup>567</sup> 2014). Therefore, the assessment and measurement of the

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566 Bretos, I., and Marcuello, C., 2017. *Revisiting globalization challenges and opportunities in the development of cooperatives*, in: *Annals of Public and Cooperative Economics*, 88, 1, 47-73.

567 Heras, I., 2014. 'The ties that bind? Exploring the Basic principles of Worker-Owned Organizations in Practice', in: *Organization*, 21, 646-665

integration of such principles and values in the strategies, policies and practices of cooperatives may be crucial to evaluate the outcomes generated by these organizations in the globalized scenarios where they are embedded.' (Bretos and Marcuello, 2017, my emphasis).

Second, by '*bringing more international political economy into play*', to provide 'a compelling account of a full range of the dynamics involved in the relationships between cooperatives and globalization.'

Drawing on my extended and refined macro cultural psychological approach, including key elements of a strategic-relational-ideational approach, the theoretical informed 'periodization' of the Mondragon cooperative experience facilitates the 'unpacking' of key concepts in its principles and values, like '(economic) democracy' and 'solidarity'. But is not only about the unpacking of these concepts. Different from the mainstream, my critical approach requires unpacking of the buzzword 'globalization' as well, thereby particularly following Colin Hay's argument of 'globalization as a process without a subject'. Besides Hay's argument I adopt Jule Goikoetxea's one regarding the relationships between 'the local' and 'the global'. She writes "We will argue that for something to be global, it must first be local and there is nothing in our political history that leads us to think that global problems neutralize local ones, or the fact that being connected across the entire world means we have to give priority to global problems above local ones *or to get rid of local mechanisms for self-government in order to face these global problems*, since global problems are lived and felt locally, as Yack says (2012)<sup>568</sup>." (my emphasis, Goikoetxea 2017: 45). Precisely these interconnections have been conventionally overlooked in mainstream literature in its endorsing the TINA principle ('there is no alternative'), reproducing the discourse of Mondragon's co-founders.

Moreover, the elaboration of Ratner's Vygotskian 'dominant cultural element' being political economy, internally related to the other dominant element formed by 'cognition/language' in this historiography, enables to transcend the conventional, mainstream dualistic approach. This fundamental difference has been exposed notably in the sharply contrasting Weberian assessment of the co-founders' discourse by Joseba Azkarraga and the Gramscian inspired take of this monograph.

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568 Yack, B. 2012. *Nationalism and the Moral Psychology of Community*. Chicago: Chicago University Press.



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**Theorizing the history of a  
'dramatic transformation process'**



First, let me clarify some terminological issues at stake here. In the scholarly body of literature, we can identify different terms in use. In the just addressed article written by Errasti, Bretos and Etxebarreta the term '*multi-nationalization*' has been adopted. In other publications we see the term '*internationalization*' designating the identical process of Mondragon's crossing the Spanish national borders to implement a strategy of 'international multi-location production'. Concretely meaning creating foreign subsidiaries. Linking the process of 'multi-nationalization' or 'the internationalization' of the Mondragon cooperatives to my methodology of 'periodization' I would alternatively prefer to adopt the term 'transnationalization'. To substantiate this preference, I have to make a brief theoretical excursion, outlining a key element of my conceptual framework, namely the particular method of historical research in which 'periodizing' is preceded by theoretical and empirical preparatory work.

Like elucidated in the first, theoretical part of this monograph, my theorizing the Mondragon Cooperative Experience (MCE) beyond the degeneration thesis, heavily draws on the methodology of 'periodization' as adopted by scholars affiliated to the 'Amsterdam School' (Jessop). This loosely connected group of researchers mainly working in the field of International Relations (IR) or International Political Economy (IPE) has developed 'perhaps the theoretically most elaborate approach to transnational relations' (Van Apeldoorn<sup>569</sup>, 2004: 143). This Dutch author writes: 'In contrast to the liberal and actor-centered perspective on transnational relations dominating the mainstream, the perspective presented here is grounded in a *historical materialism* emphasizing the importance of transnational (economic) *structures*, whilst at the same time reclaiming the role of *class agency*. From this perspective, it is argued that the world of international relations has from the start been inextricably bound up with the expanding capitalist world economy and *thus embedded within and shaped by transnational social relations* growing out of that globalizing capitalism. The growth of these relations does not lead to an end of international relations, but means that the latter, in *content* terms, can *only be understood in a context that is neither national nor international but instead subsumes both*.

'What needs to be done first is to answer the question of what transnational relations actually are. More than simply a definition of transnational relations, a theory should provide us with an understanding of *their nature in an ontological sense*' (Van Apeldoorn, 2004: 144, my emphasis).

'A first point of departure for conceptualization of 'the transnational' presented here is that *it does not constitute a 'level'*, as opposed to say the 'national level', and possibly synonymous with the 'European' and the 'global levels'. With IR discourse being full of

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569 Van Apeldoorn, B., 2004. *Theorizing the transnational: a historical materialist approach*. In: *Journal of International Relations and Development*, Vol. 7, Nr. 2, 142-176.

talk about levels, this is in fact quite common parlance. Such language, however, tends to miss the fundamental point about transnationalism, which is that 'the transnational' is precisely a phenomenon *that extends across, and thereby links as well as transcends, different (territorial) 'levels'*. Thus, as Anderson writes, the transnational includes 'state, supra-state and sub-state in a multi-level conception which can also accommodate *non-territorial phenomena*' (Anderson<sup>570</sup> 2002: 16; also Overbeek<sup>571</sup> 2003: 4).

'Although it is one thing to argue that transnational social forces have transcended those territorial borders in their *constitution* as transnational actors, it does not follow that their agency no longer takes place in *any* national context, rather it takes place in *several national contexts simultaneously*. Thus, by definition transnational social forces do not operate outside states but *inside different states at the same time*.' (p. 145). The author continues: 'In reformulating the question of what transnational relations are into what constitutes them (to explain their coming into existence), I suggest we need a theory of transnational relations that conceptualizes the transnational in terms of both *structure* and *agency*. I note below that many conventional (liberal) approaches to transnational relations are in fact relatively *actor-centered*, often to the extent of ignoring structures (or viewing them as 'mere' constraints on the rational behavior of otherwise autonomous actors. As pointed out by many critics of individualism, the problem with talking about actors without referring to any structures is that the actors themselves – their emergence, their identities and interests – are left unexplained (e.g., Wendt<sup>572</sup>1987: 343). In the case of, for instance, a focus on transnational actors it means we cannot fully grasp either how these actors are constituted by structures nor how they at the same time, in the words of Roy Bhaskar<sup>573</sup>(1979), through their agency *reproduce* or *transform* those structures'. The notion that the existence of social structures is dependent upon their instantiation in human agency also implies the possibility of emancipatory practice. Indeed, it is such a *critical theory* stance (for a classic formulation, see Cox 1986: 208) that provides an important normative point of departure for our theoretical perspective. Following from this critical-theoretical commitment is the need to historicize social structures

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570 Anderson, J., 'Questions of Democracy, Territoriality, and Globalisation', in James Anderson, ed., *Transnational Democracy: Political Spaces and border crossings*, 6-39, London and New York: Routledge.

571 Overbeek, H., 'Transnational Political Economy and the Politics of European (un) employment: Introducing the Themes', in: Henk Overbeek, ed., *The Political Economy of European Employment: European Integration and the Transnationalization of the (Un) Employment Question*, 1-10, London and New York: Routledge.

572 Wendt, A., 1987. 'The Agent-Structure Problem in International Relations, *International Organization* 41(2): 335-70.

573 Bhaskar, R., 1979. *The Possibility of Naturalism: A Philosophical Critique of the Contemporary Human Sciences*, Brighton: Harvester Press.

to understand how they are socially constituted – rather than viewing them as ‘natural phenomena’ – and hence how they might be changed.’

***Theoretical foundations of the historical materialist theory of transnational relations.***

In this section of his article, Van Apeldoorn briefly sketches the main theoretical foundations of his *transnationalist perspective*, to be summarized as follows.

As mentioned before, this perspective is grounded in a historical materialist social ontology that seeks to go not only ‘beyond the state-centrism inherent in many other varieties of historical materialism, but also beyond the structuralist holism of, for instance, world-system theory by according a central role to class relations and class agency, however, without relapsing into voluntarism. More specifically, the historical materialism advanced here is one inspired by Antonio Gramsci’s attempt – and by Cox’s (1983) reading and introduction of his work to IR – to reconstruct historical materialism as a ‘theory of praxis’ (my emphasis), giving due place to the role of consciousness, ideology, and culture in the reproduction and transformation of social formations, and hence also to the role of collective (class) agency producing these intersubjective forces (Gramsci 1971).’ (p. 151,152). The author points at his understanding of historical materialism being influenced by has come to be known as neo-Gramscian IPE (International Political Economy), referring to the works of e.g., Gill and Law<sup>574</sup>1993; Rupert<sup>575</sup>1995; Bieler<sup>576</sup>2000; Bieler and Morton<sup>577</sup>2001; and his own volume ‘*Transnational Capitalism and the Struggle over European Integration*’ (2002).

‘At a meta-theoretical level’, so Van Apeldoorn, ‘I take historical materialism to rest upon a ‘critical realist’ philosophy of science as developed primarily by Roy Bhaskar (1979, 1997) and in particular by his ‘Transformational Model of Social Activity’ as regards the agency-structure problem. The great advantage of Bhaskar’s realist ontology is that it allows for much more *ontological depth* (also Ryner 2002: 196) than is possible in a positivistic ‘empiricist account of science, according to which its valid content is exhausted by atomistic facts and their conjunctions’ (Bhaskar 1997: 27). Going beyond the ‘level’ of

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574 Gill, Stephen, and David Law. 1993. ‘Global hegemony and the structural power of capital’, in Stephen Gill, ed., *Gramsci, Historical Materialism and International Relations*, 93-124, Cambridge: Cambridge University Press.

575 Rupert, M., 1995. *Producing Hegemony: The Politics of Mass Production and American Global Power*, Cambridge: Cambridge University Press.

576 Bieler, A., 2000. *Globalisation and Enlargement of the EU: Austrian and Swedish Social Forces in the Struggle over Membership*, London and New York: Routledge.

577 Bieler, A., and Adam David Morton, eds. 2001. *Social Forces in the Making of the New Europe: The Restructuring of European Social Relations in the Global Political Economy*, London: Palgrave.

events and actions – that is the 'data' in which positivists (mistakenly according to critical realism given the open nature of systems) try to discover law-like regularities – critical realism presents a *stratified ontology* in which real (though unobservable) structures at a 'deep level'

(Fleetwood 2002: 67) can actually explain the observed events. As Bhaskar suggested, such an ontology fits well with the method of historical materialism – moving from the concrete to the abstract and back – the social relations behind concrete forms.' (p. 152).

According to Van Apeldoorn, thereby following Bhaskar, 'there is no such thing as a pre-social actor'; human agency is always embedded in pre-existing social relations that constitute that agent's identity and interests. 'This, however, is not to lead to determinism. As indicated before, structure and agency must in fact be regarded as mutually constituting. Structure also presupposes agency as it only exists in virtue of intentional human action in which social structures are *reproduced* or *transformed* (Bhaskar 1979: 49).

Society does not exist independently of human activity (the error of reification). But it is not the product of it (the error of voluntarism), the author continues, citing Bhaskar. (1979: 45-46). Of course, the above does not yet offer any substantive theory, that is an ontology beyond the level of philosophy. 'In its substantive ontology, historical materialism focuses on the social relations of production, whereas those relations must be understood as (deep) structures instantiated by human agency, through struggle and resistance, consciously and unconsciously. The primacy accorded to these relations (also Overbeek 2000: 168; Bieler and Morton 2001: 24) should not be understood as implying any economism in the sense of assuming, as one critic recently put it, 'the indisputable materiality of economic factors and objects' (De Goede<sup>578</sup>2003: 90). The materialism in historical materialism is in fact often misunderstood. It is not to denote that we are ruled by material forces (as in matter determining consciousness), nor that the most important social structures are material as opposed to ideational. Indeed, although a historical materialist ontology would rather opt for transcending such a Cartesian dichotomy of the 'ideal' and the 'material' when speaking of social structures, staying within that dualism it is obvious that the latter are more 'ideal' than 'material' (in fact, from a critical realist perspective it would be more correct to say that social structures are 'real' though unobservable; they are neither made up of matter nor of ideas, even though they are not independent from human thought as part of human praxis).

Van Apeldoorn emphasizes his focus on 'the distribution of the structural conditions of action specific to capitalism results in *structural asymmetries* (my emphasis) regarding

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578 De Goede, M., 2003. 'Beyond economism in international political economy', *Review of International Studies* 29(1): 79-97.

the exercise of agency, agency that is exercised in the context of (class) struggle.’ (p. 154). ‘The social organization of capitalist production gives rise to opposing interests, and hence conflict, between those who exercise control over the means of production and thus supervise the production process and those who actually carry out the task of production. Critically, within the capitalist class itself we also find conflicting interests and related structural cleavages. Indeed, conflict within the capitalist class is endemic since competition is an essential principle of capitalist accumulation. It is only in confrontation with other social groups and classes, and in particular with labor, that capitalists may become conscious of themselves as (members of) a class and come to act accordingly. This then brings us to the importance of agency of classes and class fractions, that is, the agency of the social forces engendered by the social relations of production.

Although as Cox<sup>579</sup> (1987: 1) stated, production forms the necessary material base for power exercised at the level of the state, the reproduction of capitalist production relations at the same time already implies the state (and state regulation). This fact, however, does not warrant a functionalist view of the state. On the contrary, in the words of Bob Jessop<sup>580</sup> (2002: 41), ‘there is no guarantee that political outcomes will serve the needs of capital.’ What is therefore suggested here is the importance of the role of agency in creating (or rather reproducing) the conditions at the level of the state (and state policies) that are necessary for the continuation of capitalist accumulation but that are in fact in no way predetermined. In particular, the hegemony of the capitalist class is not secured without continuous struggle within what Gramsci<sup>581</sup> (1971: 263) called the ‘integral state’, that is ‘political society + civil society’. It is thus that, from within this perspective, we would reclaim the importance of class agency in understanding the relationship between production and (political) power.

‘Two theoretical premises, then, underlie this endeavor. First, that capitalist society is still a class society in which the capitalist class is a ruling class. Second, that this class domination that characterizes capitalist societies cannot be understood from a structuralist-determinist perspective, that merely focuses on the structural domination of capital over labor, but that the reproduction of this power of capital – and of the capitalist class – also has to be explained in terms of collective human agency within concrete social power struggles.’

According to Van Apeldoorn ‘the moment of class agency – or the process of *class formation* – is thus always a *political* process in which capitalists transcend the logic of

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579 Cox, R., 1987. *Production, Power, and World Order: Social Forces in the Making of History*, New York: Columbia University Press.’

580 Jessop, B., 2002. *The Future of the Capitalist State*. Cambridge: Polity Press.

581 Gramsci, A., 1971. *Selections from the Prison Notebooks of Antonio Gramsci*, London: Lawrence and Wishart.

market competition and reach a temporary unity of strategic orientation and purpose, enabling them to articulate (*vis-à-vis* other social classes or groups, as well as *vis-à-vis* the state) a 'general capitalist interest.' Since social structures 'do not exist independently of the agents' conceptions of what they are doing in their activity' (Bhaskar 1979 48-49), *the intersubjective and discursive dimension of class formation is of critical importance (my emphasis)*. To paraphrase Van der Pijl<sup>582</sup> (1998: 98), members of a class have to imagine themselves as part of a wider (possibly transnational) community in order to constitute themselves as a class actor. In this process, the most highly developed form of class consciousness is reflected in what in the Amsterdam perspective has been denoted *comprehensive concepts of control*. ...[R]eflecting a Gramscian notion of hegemony (Gramsci 1971: 169-70), 'concepts of control are frameworks of thought and practice by which a particular world view of the ruling class spills over into a broader sense of "limits of the possible" for society at large' (Van der Pijl 1998: 51).

These 'concepts of control' can be viewed, so the author, as both giving direction to, and as an outcome of, (transnational) class strategy. Critically, concepts of control must be translated into state policy to become effective. In other words, concepts of control may be seen as expressing at the ideational level a particular configuration of social classes (and fractions thereof) giving, to borrow a phrase from Cox (1987: 409), 'content to a historical state'. By applying this framework to the central question of how to understand transnational relations, the 'critical point is that this content of historical states is not just of a national but also of a transnational nature.' (p. 155).

Based on a quotation of Marx (in *Capital*, Volume 3) on the role of the world market in relation to the capitalist mode of production, Van Apeldoorn argues that 'from this perspective we may also understand the development of transnational relations into relations of capitalist *production*. The world market itself generated transnational commercial and financial networks enabling the formation of transnational social forces. However, it was only when, expanding from the English state-society complex outwards, capitalism transformed the world market into a capitalist market based on the imperative of continuous expansion and deepening that *capitalist* social relations

started to develop across the boundaries of the newly established territorial units called states. *It was therefore only on the basis of this capitalist world market – and the internationalization drive of capital it induced – that a process of transnational (capitalist) class formation could develop (class relations – and hence class formation – presupposing production relations).*(my emphasis).

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582 Van der Pijl, K., 1998. *Transnational Classes and International Relations*, London, and New York: Routledge.

‘The coming into existence of a transnational bourgeoisie went beyond earlier transnational structures of socialization inasmuch as it created a *transnational space for the exercise and reproduction of capitalist class rule*. Such a transnational space first arose in the 18<sup>th</sup> century in the form of what Van der Pijl (1998: especially chapter 3) has called the *Lockean heartland*, formed through the expansion of the British state-society complex to include parts of North America and other regions through settler colonies, and in its commercial and political expansions confronting (sometimes resulting in war) so-called *Hobbesian* contender states.

After the collapse of the 19<sup>th</sup> century liberal order, the crisis years of the interbellum, a tendential (re-)embedding of capital into the national (and nationalizing) state emerged. ‘The internationalization of capital was resumed, however, after World War II under the aegis of American hegemony. It was an expansion of (first of all US) capital supported by a *new hegemonic concept of control, corporate liberalism(my emphasis)* (Van der Pijl<sup>583</sup> 1984), which in effect represented a projection of a concept that had been restructuring the American state-society complex from the 1930s onwards, and was predicated on both a class compromise between capital and labor, and a synthesis between the financial and industrial fractions of the US bourgeoisie. In the context of the Cold War, this concept of control came mainly to circulate within an Atlantic area that was unified through a process of *transatlantic* class formation, a process which was arguably also at the heart of the origins of the European integration process (Van der Pijl 1984).’ (p. 158).

### ***Transnationalization in the era of globalization.***

In this section the author emphasizes global capitalism entering ‘a new phase with the sustained and global transnationalization of both production and finance. With regard to production, capital being confronted with ‘deteriorating profitability, declining productivity, and stagnating demand, a strategy of geographical expansion – what Harvey (1989: 183) called the ‘spatial fix’ – was one ‘solution’ to the accumulation crisis that many large firms came to opt for. This was at the same time a way for capital to partially exit from national regulations that it had come to experience ‘a burden and to enhance its bargaining power *vis-à-vis* labor and shift the class balance back in its favor.’

According to Van Apeldoorn, this points to the critical structural power of transnational capital (Gill and Law 1993) which came to inform much of the restructuring of the global political economy in the late 20<sup>th</sup> century. The structural power of transnational capital has in fact both a material and an ideological dimension (though both are very much inter-related). *The material dimension refers to the greater exit option – that is, its ability to relocate across borders - on the part of transnationally mobile capital, the ideological power of transnational capital must be viewed ‘as exercised at a more collective level*

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583 Van der Pijl, K., *The Making of an Atlantic Ruling Class*, London: Verso.

as class power', through all kinds of transnational forums or 'planning groups', like e.g., the World Economic Forum (WEF) or the European Round Table of Industrialists (ERT).

### ***Transnational class formation and a new neo-liberal concept of control.***

In the wake of the Atlantic crisis of the 1970s and in response to the crisis of European capitalism, several leading theorists of the 'Amsterdam School', like Kees van der Pijl, Otto Holman, Henk Overbeek or Bastiaan van Apeldoorn, analyzed the 'specific regional pattern of transnational class formation within the European arena', these processes and its pattern becoming centered around 'a neo-liberal concept of control expressing the general objective of an 'unmaking' of the post-war class compromise and a fundamental restructuring of social relations in favor of private enterprise and propertied interests. What is key for Van Apeldoorn's theoretical contribution in this article, is *'the fundamental transnational nature of this social restructuring process and the fact that neo-liberalism as a concept of control both promotes and reflects the transnationalization of capital that set in with capital breaking loose from its (post-war) national moorings, enabling it more than ever to achieve 'sovereignty' on a global scale above and beyond the sovereignty of states.'* (Van Apeldoorn 2004: 160).

To understand the nature of transnationalism, so the author continues, 'it is more the *quality* – that is, the nature of social relations – that counts than the *quantity* of interactions. Indeed, from a Marxian critique we may argue that the often exclusive focus on the quantity of cross-border transactions, that is the flow of goods, capital etc., in conventional studies of transnational capital as well as in some critiques of the globalization literature (e.g. Hirst and Thompson 1999; cf. Overbeek 2003) is a form of *commodity fetishism* inasmuch as the social relations – that is, relations between people – lying underneath these relations between 'things' remain hidden in such empiricist analyses. Transnational social relations thus refer to structures linking peoples' social lives across borders, including those without any direct contact.

### **13.1 The 'internationalization strategy' of the Mondragon cooperatives in the context of 'the transnationalization' of Spain: a political and power-aware approach**

Similar to Carl Ratner's Vygotskian inspired critical approach to the conventional, mainstream discipline of psychology, that is, deconstructing its key tenets and subsequently reconstructing it in a radically different, material historical and dialectical grounded approach, my Gramscian, praxis-based historical reconstruction of the Mondragon cooperative experience seeks to deconstruct the mainstream interpretation of the experience.

Regarding the internationalization strategy of Mondragon in the context of the concept of 'globalization' my starting point is a critique of the (non)theorizing of notions like 'power' and 'politics'.

As acknowledged by Bretos, Errasti and Marcuello<sup>584</sup> conventional research on the de-and/or regeneration of cooperatives thus far displayed insufficiently attention to 'power-aware and politically informed approaches', so therefore ask for future research to draw on these approaches. As elucidated in my theoretical Part One, this historical perspective Part Two draws on a fundamentally 'power-aware' and politically informed framework. Concretely, this means my approach presents a multidimensional theorization, historically contextualized concept of 'power' and a critical, political economic assessment of the Mondragon cooperative experience.

*The discursive construction of 'globalization' and 'European integration' as an economic imperative.*

In their list of 'critical events in the development of Mondragon's international cooperative groups' the authors of the article 'Is there life after degeneration? The organizational life cycle of cooperatives under a 'grow-or-die' dichotomy' (2019) point to eight 'critical events' regarding the intermingling of Europeanization and globalization and Mondragon's 'degeneration and/or regeneration.

- 1) Spain enters the European Union. Arrival of multinational enterprises with more innovative and efficient processes. (1986)
- 2) Creation of the Mondragon Cooperative Corporation holding structure to promote cooperative activity and synergies in the fields of internationalization, R&D initiatives, investment, financing, training, and so on. (1991)
- 3) Start of the international expansion of most of Mondragon's international cooperative groups. Intensification of economic and productive requirements. Escalation of various degenerative pressures and tensions. (1990-2000)
- 4) Beginning of ideological discussions and internal reflections within several large cooperatives oriented towards revitalizing the cooperative culture and practices. (2000-2002)
- 5) Collective recognition of the erosion of the cooperative culture and emergence of vigorous debate about the future of the Mondragon Cooperative Experience. Formalization of regeneration guidelines and initiatives by both the MCC and cooperative firms. (2003-2008)

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584 Bretos, I., Errasti, A. and Marcuello, C., 2019. 'Is there life after degeneration? The organizational life cycle of cooperatives under a 'grow-or-die' dichotomy. In: *Annals of Public and Cooperative Economics*, Vol. 91, 3, 435-458.

- 6) Impact of the economic crisis. Partial abandonment of the regeneration discourse and practices in various cooperatives to focus on economic survival. (2008-2013)
- 7) Bankruptcy of the household appliance manufacturer Fagor Electrodomesticos. (2013)
- 8) Revival of the regeneration debate but reshaped by both the MCC and its first-tier cooperatives, particularly regarding the cooperativization of subsidiaries. (2015-present).

Despite the widely varying interpretations or explanations of the so called 'degeneration' of cooperatives like the Mondragon co-ops, there seems to be consensus on the intimate interrelationship between the concept of 'degeneration' and concepts like 'globalization' and 'Europeanization'. Invariably the concept of 'globalization', sometimes combined with 'Europeanization' has been identified as one important, if not the most important, causal factor for the degeneration of cooperative principles and values. Like Bretos, Errasti and Marcuello write in section 'Degenerative pressures in a 'grow-or-die' dichotomy (1990 onwards)' of the above mentioned paper: 'The *initial degenerative pressures* that Mondragon cooperatives faced in the early years *have intensified extraordinarily* since the late 1980s with increased market competition deriving from *the global restructuring of the economy.*' (my emphasis). They quote a top manager at Fagor Fabian Bilbao, expressing 'an opinion common among Mondragon managers', who noted that 'growth and internationalization are not just the only way to become competitive, but also the sole means of survival'. This opinion was not only common among Mondragon managers. The same view can be identified in mainstream approaches to (the history of) the Mondragon cooperative experience, echoing the (un)famous position of Margaret Thatcher: 'there is no alternative' (TINA), that is, a political-economic system different from a 'free market capitalism', based on market competition, is inconceivable. The Mondragon 'business model' basically follows the same core principles of competition on 'free' markets, as recently demonstrated by the Dean of the Business Faculty of Mondragon University in an interview with TU Lankide, August 2019, considering competitiveness even more important than technological innovation for Mondragon's future).

Different from the mainstream approach as adopted in the work of researchers we have discussed in this historical part of my monograph, my alternative way of thinking, adopting a materialist historical, Gramscian and Vygotskian inspired approach, will interrogate the discursive construction of concepts like 'globalization' and 'Europeanization' to challenge dominant interpretations of these concepts.

Referring to the section 'The discursive turn in the Strategic-Relational Approach. The place of ideas in the structure-agency debate' (pp. 55-59) in the theoretical Part One of this monograph, at this point in my periodization of Mondragon's cooperative history

will be put at work the approach of the British scholars Colin Hay and Ben Rosamond to 'Globalization, European integration, and the discursive construction of economic imperatives'<sup>585</sup>. These authors argue that 'the implicit supposition which underlies much of the skeptical or second-wave literature seeking to expose the 'myth' or 'delusion' of globalization is that a rigorous empirical exercise in demystification will be sufficient to reverse the tide of ill-informed public policy made in the name of globalization. Sadly, this has not proved to be the case. For however convinced we might be by the empirical armory mustered against the hyper globalization thesis by the sceptics, their rigorous empiricism leads them to fail adequately to consider the way in which globalization comes to inform public policymaking. It is here, we suggest, that the discourse of globalization must enter the analysis. *For it is the ideas that actors hold about the context*<sup>586</sup> *in which they find themselves rather than the context itself which informs the way in which actors behave. (my emphasis)*. This is no less true of policymakers and governments. Whether the globalization thesis is 'true' or not may matter far less than whether it is *deemed* to be true (or, quite possibly, just useful) by those employing it.

(...)It is important at the outset that we consider the *potential* causal role of ideas about globalization in the structuration of political and economic outcomes. The authors would like to emphasize the conditional 'tone' of this. That specific sets of ideas may exert a causal role need not entail that they do so in any specific context over any given period.

'Our central argument is, we think, likely to prove controversial. It is simply stated, though its implications are more complex. Essentially, we suggest, policymakers acting on the basis of assumptions consistent with the hyper globalization thesis may well serve, in so doing, to bring about outcomes consistent with that thesis, *irrespective of its veracity* and, indeed, *irrespective of its perceived veracity*.'

'Globalization has become a key referent of contemporary political discourse and, increasingly, a lens through which policymakers view the context in which they find themselves. If we can assume that political actors have no more privileged vantage point from which to understand their environment than anyone else and – as most commentators would surely concede – that one of the principal discourses through which

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585 Colin Hay & Ben Rosamond, 2002, *Globalization, European integration, and the discursive construction of economic imperatives*. In: *Journal of European Public Policy*, Vol. 9, 2, 147-167.

586 *Regarding the concept of 'context', the work of Teun van Dijk on developing a theory of context based on the psychological notion of 'mental model' could be a valuable extension and deepening of Hay's and Rosamond's approach to the discourse of globalization and Europeanization. Moreover, I would argue, that Van Dijk's sociocognitive context theory seems compatible with the theoretical perspective of this monograph. Notably Van Dijk's volume 'Discourse and Context' (2008) provides a fruitful theoretical 'background'.*

that environment now comes to be understood is globalization, the content of such ideas is likely to affect significantly political dynamics. They illustrate this by the example of 'tax competition between states'. Despite 'precious little evidence to substantiate the thesis or the parsimonious if implausible assumptions upon which it (the hyper globalization thesis regarding tax competition, HW) is premised', if governments believe it to be true, or find it to their advantage to present it as true, they will act in a manner consistent with its predictions, thereby contributing to an aggregate depreciation in corporate taxation – whether they are right to do so or not. According to Hay and Rosamond, 'the question of intentionality is here crucial. It is important, at the outset, that we differentiate between the internalization of a discourse of globalization as an accurate representation of the relevant 'material' constraints and the more intentional, reflexive, and strategic *choice* of such a discourse as a *convenient justification for policies pursued* for altogether strategic choice of such a discourse as a convenient justification for policies pursued for altogether different reasons. In the first scenario ideas about globalization might be held to be constitutive (in part) of the perceived interests of political actors; in the latter, they are more of an instrumental device deployed in the promotion of a set of extant preferences and (perceived) interests.

Looking from this theoretical perspective at the dominant ideas on the global and European context in which managers and members find themselves notably in the era of Spain's entrance in the EU and the subsequent start of Mondragon's international expansion, roughly spanning the years 1986-2000, the following clear narrative can be identified.

Drawing on the detailed information gathered by Joseba Azkarraga for his discourse analysis of Mondragon's co-founders (2006) we may conclude there is hardly any dispute about the compelling necessity for the Mondragon co-ops to actively implement a strategy of internationalization. The co-founders acknowledge they have 'to accept' the exigencies of globalization, although Gorroñoigoitia did not believe the degeneration process could be fully explained by this factor: '*yo creo que no depende de la mundialización*' (see section 'Globalization and cooperativism. Mondragon and the business logic.' (p. 53, Part Two of this monograph). So, despite slightly different takes of the 'weight' of internal versus external factors leading to the degenerative process, there is consensus among managers and worker-members that the Mondragon cooperatives simply did not have a choice other than to internationalize in order to survive, that is, remain competitive. Applying Hay's and Rosamond's theoretical perspective to the Mondragon 'case' this means that 'it is the ideas that actors hold about the context in which they find themselves rather than the context (of globalization) itself which informs the way in which the actors (of Mondragon) behave'.

## **13.2 Mondragon's transnationalization process in the context of European integration: a transnational theoretical perspective**

Drawing on Otto Holman's approach to 'EC Expansion and the Transnationalization of Spain'<sup>587</sup>, focusing on the dialectic of structure and agency concerning the conditions in which social forces can make a difference, means putting 'periodization' firmly on the agenda. However, as Bob Jessop<sup>588</sup> writes: 'there is no master periodization that holds for all cases. Rather, as Otto Holman remarks: *'Theoretical and empirical analysis must precede periodization.* Moreover, periodization is a way of ordering the past from the viewpoint of the present, reflecting our present knowledge of the past, helping to understand our present situation without offering us more than a tendential insight into future developments.' (my emphasis, Jessop 2019: 279). To theoretically and empirically underpin this concrete periodization of the Mondragon cooperative experience, the work of Amsterdam based scholars like Otto Holman (among others) on the political economic history of Spain, particularly regarding the process of 'transnationalization' will be applied to this Mondragon case. This approach differs in several aspects from the mainstream perspectives. First, as pointed out by Jessop in his quote from Holman, there is the research procedure that orders the past from the viewpoint of the present. To put it in the words of Ollman: studying history backward. Second, the historical part of this monograph does not follow the conventional 'chronological' path of historical narratives, but adopts a procedure called 'periodization' as briefly outlined in the theoretical Part. While following this 'Amsterdam School' inspired approach, I can gratefully make use of the work of several distinguished researchers who have prepared the theoretical and historical groundwork for my work on the Mondragon cooperative experience, focused on the so called 'degeneration thesis'.

## **13.3 The 'Operation Europe' as the political economic precondition of Mondragon's internationalization strategy**

In contrast to the conventional chronological approach to the history of the 'Mondragon cooperative experience', as represented by the 'classic' work of William Foote Whyte and Kathleen King Whyte, *'Making Mondragon, The Growth and Dynamics of The Worker Cooperative Complex'* (1988), the Dutch scholar Otto Holman's historical perspective is based on fundamentally different ontological (and epistemological) premises. First, for him the distinction between structure and agency is a purely analytical distinction. Neither agents nor structures has an existence in isolation from the other, their existence is relational and genuinely dialectical. It is important not to reify and harden this analytical

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587 Holman, O., 1996. *Integrating Southern Europe. EC Expansion and the Transnationalization of Spain.* London and New York: Routledge.

588 Bob Jessop and Henk Overbeek (Eds.). 2019. *Transnational Capital and Class Fractions. The Amsterdam School Perspective Reconsidered.* New York and Oxon: Routledge.

distinction into a rigid ontological dualism. Second, just as the distinction between structure and agency is an analytical rather than a real one, so too the material and the ideational are complexly interwoven and mutually interdependent. In line with the theoretical perspective of this monograph on Mondragon, Holman draws on a Marxian, Gramscian inspired historical materialist research procedure that could be called a 'periodization' of history, preceded by theoretical and empirical work.

So, following this Gramscian inspired approach, Holman's investigation of Spain's 'transnationalization process', in this case concretely meaning its 'Europeanization', the process of integration into the European Community, lays stress on the *transnational* dynamics of global (and European) integration, the class content of these processes, seen from the perspective of the postwar globalization of capitalist relations. 'In fact, it will be claimed that an answer to the above questions is not possible without reference to the fundamental changes at the level of production, in the field of power relations, and in the ideological sphere.' (Holman, 1996: 5). The author continues: 'In order to understand social change in one particular region or country, one must grasp the dynamics of social and political action within the context of state structures, on the one hand, and the dynamics of state action within the context of world order structures, on the other. To come to terms with this double movement, the power of transnational capital in both its behavioral and structural form is proposed here as a mediating force (see Gill and Law<sup>589</sup>1989; Gill<sup>590</sup> 1990).'

The author presents an alternative approach to the so-called 'interstate dependency approach' of Nicos Poulantzas and Alain Lipietz. His approach views the rising power of internationally mobile capital as the 'primary factor in explaining global, regional, and national dynamics', particularly after 'this system of Atlantic Fordism entered a severe crisis in the 1970s and 1980s, and in a setting of global neo-liberalism'. (Holman, 1996: 6). Besides the above mentioned first 'mediating concept' of the transnational capital class, the author introduces a second mediating concept, the notion of *comprehensive concepts of control*. (*my emphasis*). 'This offers us insight into how to integrate the levels of material forces, institutional ensembles, and ideologies, in both a national and a transnational setting. In the context of a continuing process of internationalization of capital, concepts of control eventually transcend national frontiers, cementing a cohesion between social and political forces on an increasingly transnational basis. It will be argued that the integration of Spain, Portugal, and Greece in the global network of transnational production has made these countries, and individual capital based in them, part and parcel

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589 Gill, S. and Law, D., 1989. 'Global Hegemony and the Structural Power of Capital', in: *International Studies Quarterly*, vol. 33, pp. 475-499.

590 Gill, S., 1990. *American Hegemony and the Trilateral Commission*. Cambridge: Cambridge University Press.

of globally operative processes of class formation and increasingly transnational state-civil society configurations.'

Referring to the critical realist theoretical background of his approach, Holman quotes Bhaskar: "If society is to be regarded as 'an ensemble of structures, practices and conventions which individuals reproduce or transform, but which would not exist unless they did so' (Bhaskar<sup>591</sup> 1979: 45-46), then it is most likely that there are fundamental contradictions between different structures, practices and conventions within the totality of society, constituting opposite moments of the same process, and, subsequently, conflicts between different groups or individuals.

'What is at stake here is the distribution of material capabilities and power, and, for that matter, the relation between economics and politics, between society and the state, between dominant and dominated classes, and between classes as related to a particular mode of production and domination, on the one hand, and the state apparatuses, on the other. What does this all boil down to? In a preliminary way, the conclusion can be that social change cannot be explained by reference to either individualist/voluntarist or collectivist/determinist conceptions. *In order to avoid structure/agency dichotomies, and to refrain from interpretations of history as mere contingency, we here propose the notion of the power of capital, in both its structural and behavioral forms (Gill and Law 1989: 480). Production and power, or rather, the distribution of material capabilities and the articulation of social and political power at the level of the state, are the primary factors in explaining social change.'*

*'It is our contention here that in particular the contradictions and conflicts resulting from capital-labor relations, relations between sections of the bourgeoisie, and state-civil society relations are essential in explaining social change.'* (my emphasis, Holman 1996: 7-8).

The author concludes that the external impact on internal structure/agency relations, and vice versa, becomes an essential component in explaining social change.

Otto Holman applies his theoretical notion of '*comprehensive concepts of control*' to the complexities of Spain's history, or, in his own words 'to understand the intrinsic and complex relationship between economics and politics in advanced class societies from an international or global perspective'. (Holman 1976: 33). In his 'historical perspective' he designates five major developments in recent Spanish history, divided into sub-periods according to qualitative criteria, implying that no exact dates (years or intervals) can be given. *'However, in all five cases it was the period of the Franquist regime which in one*

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591 Bhaskar, R., 1979. *The Possibility of Naturalism: A Philosophical Critique of the Contemporary Human Sciences*. Brighton: Harvester Press.

way or another represented the transition to modernization and Westernization.' (my emphasis). Holman distinguishes the following major developments:

- 1) A transition from a pre-capitalist agrarian economic structure to a predominantly national industrial structure, which became manifest in the first two decades of the Franquist regime; and subsequently, through the internationalization of capital in Spain after the economic liberalization of 1959, the transition from an inward-oriented industrial structure towards full integration into the world market, resulting in an increasingly internationalized economic structure.
- 2) A shift in the power bloc from a coalition between big landowners, private financiers and the emerging big bourgeoisie in Catalonia and the Basque Provinces, to a coalition between bank capital and national industrial capital in the first period; and a shift from a coalition between Spanish bank capital and national private and public industrial capital to a coalition between Spanish and foreign finance capital in the second period. The latter coalition foreshadows the emergence of a transnational bourgeoisie in Spain.
- 3) A transition from an estate system, a society divided into an oligarchical ruling class and dominated classes, to a polarized class society in which antagonistic class relations, increasingly caught in the setting of a predominantly capitalist mode of production, eventually reach an actual state of civil war.
- 4) A transition from a state which formally controlled the whole of the Spanish territory (as for instance in its diplomatic contacts with the outside world) but was in fact characterized by the lack of a real national unity, by enormous socio-economic and political regional disparities and by a total absence of any form of national integration (let alone any unifying, national ideology), to a highly centralized, hypertrophic nation-state, implemented and directed from above, using national Catholicism as a unifying national ideology and repressing regional autonomy. In the second period the excessive degree of nationalism and centralism gradually levelled out, and after the death of Franco it was formally replaced by a system of 'vertebrated regionalism', which is still controlled from above but gives constitutional space to some form of regional autonomy.
- 5) Finally, a transition from a system of interest mediation which is usually referred to as clientelism (the Spanish variant of which is known as the system of *caciquismo*) to a system of state corporatism during the Franquist era; in the second period, a shift from state corporatism to societal corporatism, which formally took place after the collapse of the Franquist dictatorship but had its origins in the 1960s.

One of the great benefits of Holman's approach regards his critical scrutiny of the Franquist regime, an element in Mondragon's cooperative history routinely downplayed if not largely ignored in mainstream accounts of that history. As will be showed below in this historical perspective, this lack of attention for the decisive interrelations between the coinciding Franco era and Arizmendiarieta's lifetime in Mondragon reveals a serious flaw in those mainstream accounts. Notably Holman's focus on the concept of 'corporatism', largely ignored in the mainstream body of literature, offers a theoretically informed historical context to the substantiating of my theorizing 'beyond the degeneration thesis' and the proposal of an alternative explanatory model, I would call 'the original sin thesis'. At this point of my account of Mondragon's cooperative experience it will suffice to say that fascist corporatism<sup>592</sup> played a political decisive role in the early days of Mondragon's 'conception', coinciding with the first two decades of the Franco regime, termed by Pérez Díaz the era of 'paleo-corporatism'<sup>593</sup>, and that gradually this form of 'state corporatism' became to be replaced by the sub-type of corporatism termed 'societal corporatism', associated with the building up of the 'hegemonic project Europe' of the PSOE. I will return on this issue below in my account of the original thoughts and activities of Arizmendiarieta in Mondragon's cooperative first three or two decades. My key argument is that the concept of 'corporatism' offers a fruitful heuristic device capable of explaining fundamental contradictions immanent to Arizmendiarieta's and Mondragon's cooperative ideology and practice, or, in the metaphorical terms of this monograph: the 'original sin' (thesis). The 'comprehensive concept of control' called 'corporatism' not only enables me to dissect Mondragon's original 'cooperative ideology', but also provides a theoretical foundation to the part of the historiography of the Mondragon cooperative experience, roughly encompassing its first twenty-five to thirty years. After this 'corporatist era', theoretically informed by the just mentioned comprehensive concept of control, the Mondragon experience entered the era of another hegemonic concept of control which came to be known as 'neoliberalism'. In this study of Mondragon's history 'backward' I will now focus on this, most recent period, inextricably interrelated to the internationalization process of Mondragon's corporations, a process officially taking off in the 90s, starting in the late 80s. My account of the history of this process will be embedded in the 'theorizing of the transnational'<sup>594</sup>, concretely drawing on the work of Otto Holman on the transnationalization of Spain.

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592 See 'The Fascist Labor Charter and its transnational spread', Matteo Pasetti, ch. 3, p. 61 of the volume 'Corporatism and Fascism, The Corporate Wave in Europe.', ed. by Antonio Costa Pinto,

593 Pérez Díaz, V., 1984. 'Políticas económicas y pautas sociales en la España de la transición. La doble cara del neocorporatismo', in: J. Linz (ed.) *España: un presente para el futuro. Tomo I: La sociedad* (Madrid: Instituto de Estudios Económicos), pp. 21-55.

594 Van Apeldoorn, B. 2004. *Theorizing the transnational: a historical materialist approach*. In: *Journal of International Relations and Development*, Vol. 7, 142-176.

*The internationalization process of the Mondragon cooperatives in the theoretical context of 'the hegemonic project 'Europe' of the PSOE (1982-1992).*

Following Holman's theoretically informed historical account of Spain's transnationalization process, I have to clarify the concept of 'corporatism' which is applied by this author to both the system of interest mediation under Franquist rule and the tripartite consultation between the democratic governments, the trade unions UGT and CCOO, and the employers' organization CEOE in the post-Franco era. Drawing on the work of the American scholar Philippe Schmitter<sup>595</sup>, who extensively published on this concept, Holman distinguishes two 'sub-types' of corporatism: *state corporatism* and *societal corporatism*. According to Schmitter, *state corporatism* 'seems to be a defining element of, if not structural necessity for, the antiliberal, delayed capitalist, authoritarian, neo-mercantilist state', and *societal corporatism* appears to be the concomitant, if not ineluctable, component of the postliberal, advanced capitalist, organized democratic welfare state.<sup>596</sup> In Spain, under the Franquist rule state corporatist arrangements were imposed from above in a repressive and coercive way. This took the concrete form of the Vertical Syndicate<sup>597</sup> within the Franquist organic state, so based on corporatist, vertical mechanisms of political integration, while societal corporatism (sometimes also called neo-corporatism) after Franco evolved through a voluntary arrangement between the state, trade unions and the employers' organization. While under Franco the goal of social harmony and peace was legitimated by references to the disasters of the Civil War, and democracy, materialism, and individualism were blamed for all evils<sup>598</sup>, in democratic Spain tripartite socio-economic co-operation aimed at consolidating the process of democratization in the first years after the death of Franco (resulting *inter alia* in the famous *Pacto de Moncloa* of October 1977), and was eventually legitimated by reference to international economic competitiveness, integration into the Common Market, and sustained economic growth in the first years of Socialist rule'. (Holman 1996: 54-55).

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595 According to Holman 'the use of Schmitter's distinction calls for some caution'. He qualifies it in the sense of rejecting an 'ideal-typical and static' interpretation, pointing at 'both the erection of state corporatist forms of interest mediation and the subsequent transition to societal corporatism cannot be explained exclusively by endogenous factors or developments, and third, a static and a-historical distinction between state and societal corporatism may result in quite erroneous conclusions as to the transition from the former to the latter.

596 Cited in Holman (1996), *Integrating Southern Europe, EC Expansion and the Transnationalization of Spain*, p. 55.

597 Franco's labor laws, the '*Fuero del Trabajo*' were inspired by Mussolini's fascist labor regulations.

598 According to Joxe Azurmendi, these ideas and references to the Civil War were clearly echoed in the utterances of Arizmendiarieta during his first years in Mondragon, showing close affinities with the then 'reactionary' views of the Catholic Church's hierarchy.

I would argue that Holman's approach to the 'transnationalization' of Spain, here focused on the 'hegemonic Operation Europe' of the then ruling Spanish political party PSOE during the period 1982-1992, a period coinciding with Mondragon's starting 'internationalization' process, offers a fruitful and invaluable analytical toolkit to explain this 'ruptural change' in Mondragon's cooperative history. In my view his research on Spain's transnationalization and Europeanization presents precisely the 'power-aware' and 'politically informed' approach Ignacio Bretos, Anjel Errasti, and Carmen Marcuello called for in their paper published in 2019. Holman's '*comprehensive concepts of control*' form an important case in point here. The author defines these as follows:

'Concepts of control are long-term strategies, formulated in general terms and dealing in an integrated way with such areas as labor relations, socio-economic policies, and the international socio-economic and political order. These concepts serve to organize and safeguard specific interests related to specific social groups or classes. Originating in socio-economic relationships between different sections of the bourgeoisie, and between (sections of) the bourgeoisie and (parts of) the working class, concepts of control must be translated into domestic and foreign policy at the state level to become effective. The rise to hegemony of a particular concept, and its success in representing the specific interests related to it, can be achieved if and only if these specific interested are presented as the 'general interest' (Van der Pijl 1984<sup>599</sup>; Overbeek 1990<sup>600</sup>).' (Holman 1996: 22). 'Hegemonic concepts of control are expressions of both the structural and behavioral power of capital, reflecting what Gramsci has called 'Historic Bloc'. The state forms the organizational framework within which the elaboration, reproduction, and transformation of specific, ideal-typical concepts of control can take place.' (Holman 1996: 22). Holman's focus on the Gramscian notion of 'hegemony' and elaborating on the comprehensive concepts of control '*corporatism*' and to a lesser extent '*neoliberalism*' offers a fruitful avenue to scrutinize the 'ruptural change' of Mondragon's cooperative experience we are focusing on now: the transnationalization of its corporations.

First, applying the concept of '*state corporatism*' facilitates the explanation of the 'uneasy' co-existence of the Mondragon cooperative experience and the Franco regime during the Arizmendiarrieta era. In contrast to the mainstream narratives of Mondragon's genealogy, Holman's scrutiny of the basic influences on Franco's 'state corporatist project' theoretically and empirically facilitates to interrogate the strong 'family resemblances' between the fascist originated vision on notably the capital-labor

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599 Van der Pijl, K., 1984. *The Making of an Atlantic Ruling Class*. London: Verso. Ch. 1, *Class Formation on an Atlantic Scale*.

600 Overbeek, H., 1990. *Global Capitalism and National Decline: The Thatcher Decade in Perspective*. London: Unwin Hyman.

relations (as exemplified by Franco's '*Fuero del Trabajo*'<sup>601</sup>) and the social philosophy of the Catholic Church, being the foundation of Mondragon's cooperative philosophy and practice. In the words of Holman: '*Corporatist practices in fascist Italy, the predominance of corporatist ideologies within the Catholic Church at that time, and, in general, the anti-liberal anti-democratic, and totalitarian spirit that swamped Europe in the inter-war years, all clearly influenced (and gave ideological direction to) the authoritarian, state corporatist project of the Franquist state.*' (Holman 1996: 56). In this monograph I seek to correct the conventional circumventing of this 'uneasy resemblance' between Arizmendiarieta's cooperative 'ideology' with strong corporatist overtones and Franco's 'state corporatist project'. Moreover, this scrutiny enables to explain the evident contradiction between the *rhetoric* of 'democracy' and 'solidarity' of Mondragon's founding father and the actual, collaborationist *practices* of this priest in Franco's era.

Second, the concept of '*societal corporatism*', prevalent in the first seven to nine years after Franco's death, can be traced back to Arizmendiarieta's approach to cooperativism since about the second half of the 40s. In the words of Joxe Azurmendi: '*Between 1946 and 1948, a surprisingly abundant number of socialist politicians, especially laborites, suddenly appear scattered through Arizmendiarieta's writings: J. Ramsay MacDonald, S. Stafford Cripps, C.R. Attlee, Leon Blum, etc. Without a doubt, Arizmendiarieta has discovered socialism, and feels great sympathy for it. (...) We can take for granted that Arizmendiarieta's socialist inclinations became resolved and determined in these years, but that the reconciliation of Christianity (social doctrine of the Church) and socialism was no small problem.*' (my emphasis, Azurmendi 1984: 119-120). In a subsequent point of the periodization, tracing back further to the historical roots of the Mondragon cooperative experience, the focus will be on the state and societal corporatism linked to Arizmendiarieta's cooperative 'ideology' and practices during the Franco era.

At this point of my periodization, particularly regarding the post-Franco history of Spain and 'Mondragon' focusing on the 'Socialist Decade 1982-1992' (Holman, 1996) determined by its main objective, the 'Europeanization' of Spain, the '*societal corporatism*' and '*neoliberalism*' will be brought at the fore, being decisive '*concepts of control*' for this period.

It will be showed that putting at work these concepts could be helpful in explaining the immanent contradictions in Mondragon's transnationalization process. Following my procedure of 'studying history backward' and putting it in temporal terms, this means my focus is first on the most recent period, viewed as the 'outcome' of preceding pre-conditional processes and events, in this case regarding the 'outcome' consisting of a '

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601 This formal regulatory framework of notably capital-labor relations in general, and industrial relations particularly, set in force immediately after Franco's victory of the Civil War, basically ruled these relations from 1938 until 19

neoliberalized' way of restructuring Spain's political economy by the Spanish government in the 'Socialist Decade' in Holman's terms. In my qualitative, dynamic approach it is hard to pin down processes of change exactly in numbers of years, nevertheless we could identify a short time, stretching from the 'decade's' start in 1982 to about 1986 when not only the CCOO, linked to the Spanish Communist Party, but also the PSOE-allied trade union UGT opposed the government, thereby displaying the end of the 'societal corporatist' phase of tripartite consultation between the government, the trade unions UGT and CCOO, and the employers' organization CEOE. The period of 'societal corporatism' in Spain can be traced back to the *'ruptura pactada'*, immediately following the death of Franco, meaning 'the continued negotiation of the path to democratic consolidation with the left-wing and other members of the democratic opposition. *To this end, several neo-corporatist, extra-parliamentary arrangements were made with the most important economic-interest organizations.* This negotiated transition to democracy in conjunction with corporatist arrangements succeeded and received such nationwide support (especially from part of the labor movement), mainly because of a constant fear of a reaction by the army.' (my emphasis, Holman 1996: 62-63). Regarding the political position of the Spanish Socialist Party (PSOE) we must point at a remarkable as well as decisive change of course between 1976 and 1979. In the section on 'social democratization and the rise of the Spanish Socialist Party' of his beforementioned volume on the transnationalization of Spain, Holman points at 'the striking moderation of its objectives' as demonstrated by its abandoning of the original Marxist guiding principles: *'During the 27<sup>th</sup> party congress in 1976, the PSOE, at that time still illegal, presented itself as a Marxist and democratic mass party, and officially rejected every attempt to realize reforms within the framework of the capitalist system.* The indirect involvement of PSOE in the institutional transition from dictatorship to parliamentary democracy, however, made it necessary to compromise with other parties. Apart from this, an important section of the party leadership of the PSOE took the view that a one-sided concentration on the working class would impede the party's electoral growth. *Accordingly, at the extraordinary party congress of 1979, Marxism was given up as the central guiding principle and a more moderate course was set.* During events leading to the PSOE's own 'Bad Godesberg', transnational linkages with sister parties were of paramount importance. In particular the advice of Willy Brandt (as president of the Socialist International since 1976) was decisive in the deradicalization of the Socialist party's programme.' (Holman 1996: 76-77). Regarding the periodization of Mondragon's history, the most relevant issue in that program, during the electoral campaign of 1982, formed PSOE's plea for the entry of Spain into the Common Market.

***The 'Operation Europe' as the political economic precondition of Mondragon's internationalization strategy.***

According to Otto Holman, the 'Operation Europe' of the PSOE, the ruling political party in Spain during 1982-1992, constituted a decisive element of Spain's 'transnationalization process', that is, its economic and political integration in Europe after a long period of

isolation due to the political and economic legacy of the Franco regime. The intimate relationship between Spain's and Mondragon's transnationalization process legitimizes taking a closer look at the interconnectedness of these historical processes.

Once in power, having obtained absolute majority in the 1982 elections, the PSOE carried through 'an ideological offensive aimed at presenting the comprehensive hegemonic project as the only possible one, the only way to realize what was seen as essential for the future of Spain: the country's modernization and Europeanization. Each part of the government's domestic, social, and economic policy was presented and legitimized by reference to the necessity of adjusting Spanish socio-economic and political structures in the light of future membership of the EEC, and, after 1986, by stressing the implications of the magic year 1992 (the end of the transition period with regard to Spain's entry into the Common Market, and the creation of the Single European Market).' (Holman 1996: 80).

For the purpose of this periodization, and linked to the transnationalization strategy of the Mondragon corporations, the focus is on two specific constituent elements of PSOE's hegemonic project 'Europe',

- 1) Full integration into the Common Market, with an attempt to play a dominant role in the construction of a European Political Union, which is interpreted in the light of a *transnational, European 'counter-offensive against global neo-liberalism*.
- 2) An attempt to neutralize excessive economic demands from part of the trade unions by forcing through *continued tripartite negotiations* on the general direction of Socialist economic policy. (my emphasis, Holman 1996: 82).

With hindsight we can conclude that both political objectives obviously failed. The objective regarding integration into the Common Market as originally formulated being 'a counter-offensive against global neo-liberalism' soon proved politically unfeasible. As well documented in Holman's account of the PSOE's 'Operation Europe' 'the contradiction between societal corporatism at the national level and economic liberalism at the European level was *resolved to the benefit of the neo-liberals in government*' (my emphasis, Holman 1996: 83). In order not to become a structural constraint on further capitalist development, state interventionism had to be rationalized and public spending had to be curtailed, in the interest, first and foremost, of private national and foreign large-scale enterprises. The author states: '*EC membership formed the perfect legitimation of this policy*, but also forced Spanish public and private capital and bank capital to restructure and concentrate their activities, and to increase international competitiveness in the face of the free movement of goods and capital.' (my emphasis, Holman 1996: 83). Like Hay and Rosamond write in their paper on 'Globalization, European

integration, and the discursive construction of economic imperatives<sup>602</sup> 'in a number of European contexts, it is the process of European integration (often in the immediate form of the Maastricht convergence criteria) which is (or has been) invoked as the proximate cause of often painful social and economic reforms elsewhere legitimated in terms of globalization. (Hay et al.,<sup>603</sup>1999). Of course, whether to appeal to external economic constraints (whether genuinely or disingenuously acknowledged) is itself a political choice. *The clear benefit in so doing is to displace responsibility for otherwise unpalatable reforms.* (My emphasis, Hay and Rosamond 2002: 157). To put it in the words of Charnock et al.: 'The opportunity to externalize pressures for its restructuring programme (*'la reconversión industrial'*) by citing the country's need to meet the requirements for EC integration was not missed by the PSOE, who could also benefit from their image of being the agents of democratic consolidation and liberal progress after four decades of fascist rule.' (Charnock et al., 2014: 60). Indeed, in the Spanish context of the 80s these reforms proved to be more and more unpalatable. In the first years of the 'Socialist decade' the PSOE-led government received to some degree support from the main trade unions (the UGT and CCOO, Comisiones Obreras), but this began to shift soon. First, the *Comisiones Obreras* refused to agree to the PSOE's proposals for labor reform in 1984, followed soon by the PSOE-allied UGT, in 1986 standing in direct opposition to the government, and in 1988 even joining the CCOO in a one-day general strike against further efforts by the PSOE to deregulate the labor market.<sup>604</sup> These events marking the end of 'the collaborationist stance' (Charnock et al., 2014: 62) of the main trade unions in Spain, or, in the terms of Holman, the end of the relatively short period of '*societal corporatism*' and heralding a transformation to a new 'comprehensive concept or control' that would become hegemonic the years and decades to come: *neo-liberalism*. Under the terms of the SEA(Single European Act), the Spanish state pursued 'the full liberalization of the domestic economy (Montes,<sup>605</sup> 1991). After the re-election of the PSOE in 1986, the state continued with its efforts to restructure industry and labor markets. Between 1987 and 1990, the number of workers recruited on fixed term contracts increased by over 1.5 million, thereafter accounting for 30 percent of the working population (Pérez-Amorós

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602 Colin Hay and Ben Rosamond, 2002. *Globalisation, European integration and the discursive construction of economic imperatives*, in *Journal of European Public Policy*, Vol. 9, 2, 147-167.

603 Hay, C., Watson, M. and Wincott, D., 1999. *Globalization, European Integration, and the Persistence of European Social Models*, ESRC One Europe or Several Research Programme, Working Paper 3/99,

604 Charnock, G., Purcell, Th., Ribera-Fumaz, R., 2014. *The Limits to Capital in Spain. Crisis and Revolt in the European South*. Ch. 3 *The Limits to European Integration*., p. 62. Basingstoke and New York: Palgrave Macmillan.

605 Montes, P., 1991. 'La integración en la Comunidad Económica Europea en el proceso de la internacionalización del capitalismo español', in: M. Etxezarreta (ed.), *La Reestructuración del capitalismo en España, 1970-1990* (Barcelona: Icaria).

and Rojo,<sup>606</sup>1991: 361). Apart from the liberalized labor market, under the PSOE alone, Spain lost a total of some 700,000 manufacturing jobs. 'Thus, the burden of transition to a fully liberalized market economy was placed firmly on the Spanish workforce (Etxezarreta, 1991: 40). Not surprisingly, these and other repercussions of social and economic policies for the Mondragon workers gave rise to fierce debates. As we have seen in the discourse of co-founders this new 'business logic' of neoliberalism was hotly debated, notably regarding its (in)compatibility with the original cooperative values and principles of Mondragon's 'Arizmendian' co-operatives. Let me illustrate this discussion as described in Azkarraga's discourse analysis of Mondragon's co-founders. Addressing the issue of temporal labor contracts, the co-founders explain their critique on this phenomenon as being 'contradictory to *the philosophy and modes of being cooperators*'. The Arizmendian 'community of persons' has been diluted to a form of contract regarding the work that must be done, instead of a primacy of a 'community contract'. They see this development as a form of 'abuse' of Mondragon's original principles and values:

*'La crítica al abuso de la eventualidad ha sido una de las ramificaciones más importantes del discurso en torno al pérdida (the loss of cooperative identity). La sociedad de personas se diluye en la medida en que el contrato de trabajo prevalece sobre el contrato de sociedad (hecho diferencial fundamental del cooperativismo), y además dicho contrato de trabajo posee, en la mayor parte de ocasiones, un perfil de eventualidad que lo hace aún más contradictorio con la filosofía y modos de hacer cooperativos.'* (Azkarraga, 2006 : 836, my emphasis). But this is merely one part of the story. The subsequent sentences reveal a common thread in the complete narrative of the co-founder:

*'Así, el debate se ubica en el margen de utilización de la eventualidad, no en su utilización. Las diferencias de opinión son diferencias de grado, y entran en un terreno difuso y de matices; la eventualidad y su uso se definen como una cuestión relativa al contexto y el poder fáctico del mismo, en tanto en cuanto se trata de que las cooperativas responden en el mercado de forma eficaz (y el capitalismo moderno globalizado tiene como una de sus características fundamentales la utilización masiva del trabajo precarizado. La aceptación e interiorización de la lógica que ve absolutamente necesario flexibilizar el empleo si se quiere responder eficazmente, introduce el discurso en ese terreno ambivalente que reconoce mucho de razón en ambas partes.'* (Azkarraga, 2006: 837, my emphasis). The author quotes Larrañaga who believes that 'globalization provokes the necessity of a substantial flexibility'.

Indeed, this 'ambivalence' (Azkarraga) constitutes a recurrent element in the co-founders' discourse on the 'degeneration' of the Mondragon cooperative experience. In simple terms, they acknowledge important processes evolving in Mondragon's practices as

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606 Pérez-Amorós, F., and Rojo, E., 1991. 'Implications of the Single European Market for Labor and Social Policies in Spain', in: *International Labor Review*, Vol.130, 3, 359-372.

contradictory to, or, in this particular case of temporal jobs, as an 'abuse' of its original principles and values but see no other feasible option than to follow 'globalized capitalist' path. This ambivalence remains by no means limited to the co-founders. Even a first glance at the body of literature displays this fundamental contradiction between 'logics', expressed in an 'ambivalent discourse' and in contrasts between rhetoric and practices, the 'talk and walk' of the Mondragon cooperatives. Notably the empirical studies I presented above convincingly substantiate this ambivalence, these tensions, and contradictions, as well as the striking disconnection of rhetoric and practice.

If we look at the discourse of Mondragon's co-founders regarding the process of internationalization, we can conclude that they view this crucial transformation on the one hand as 'contradictory' to the original cooperative values and principles and in that sense undesirable, on the other hand they see no other option than to adjust to these inescapable globalized capitalist developments. Once again, we can identify a deep ambivalence between Mondragon's 'two logics' who don't seem to be reconcilable. As will be shown in my account of two earlier episodes in Mondragon's history, notably the Ulgor strike in 1974 and the Manifesto of the Curates of the Basque People, written by a group of Basque priests occupying the Catholic Seminary of Derio (near Bilbao) in 1968, this irreconcilable, fundamental contradiction proves to be a recurrent issue in the many and ongoing debates about the meaning of the Mondragon cooperative experience.

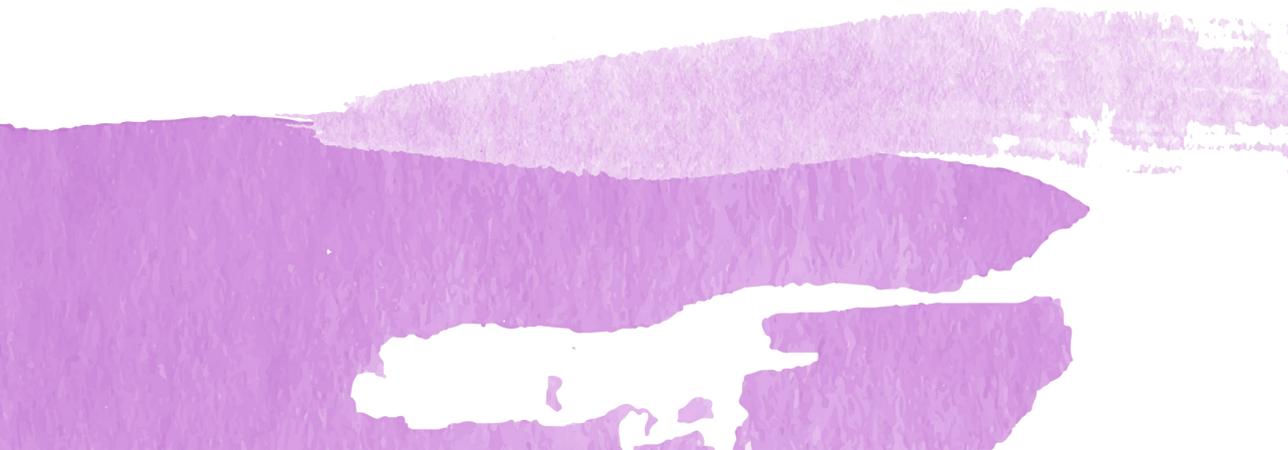




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## **Coping with internal conflict: The Ulgor Strike in 1974**



This event, in my periodization viewed like a process and a series of events, provides a useful touchstone of the ‘discursive selectivity’ at work in circles of the Mondragon management and worker-owners, as well as in most mainstream analysts and commentators. Following Hay’s position regarding the significance of periods of perceived crisis’ for ‘discursive selectivity’, ‘*Periods of perceived crisis – in which the disparities between previously unquestioned cognitive frameworks and the ‘realities’ they purport to represent are starkly revealed – here acquire a particular significance.*’ (Hay, 2002: 214), this most serious of conflicts ever occurred in the Mondragon cooperatives till then, reveals a fundamental challenge to the dominant vision and practice of the time. The importance of the Ulgor 1974 Strike was clearly recognized by William and Kathleen Whyte in their classic, influential work ‘*Making Mondragon*’, and by Joxe Azurmendi, the Basque author of another classic volume, ‘*El Hombre Cooperativo*’. Regarding the Whytes’ volume, my account will particularly draw on two chapters of Part Three (Managing Change), that is, chapter 9 ‘*Coping with Internal Conflict*’, and chapter 10 ‘*Rethinking the Systems of Participation*.’ Regarding Azurmendi’s work I will focus on Section 3.4 ‘*La huelga del 74*’ (the strike of ‘74) of Chapter VIII, Polemics.

Indeed, during this turbulent period in Mondragon’s still relatively short history, the sharply contrasting views on notably the transformative capacity of the Arizendian-style cooperativism were hotly debated. A struggle on ideas and practices battled out passionately in the open, that is, internally within the Mondragon co-ops and externally within the Basque Country. Unsurprisingly, Arizmendiarieta was heavily criticized by ETA militants. Notably after his critique on the assassination of Carrero Blanco, don José María would be vehemently attacked in a pamphlet by the ‘*Fracción Leninista de ETA*’.<sup>608</sup> But it was not only the radical Left in the Basque Country that attacks the Mondragon cooperativism. According to Joxe Azurmendi ‘the most complete and systematic critique on the Mondragon co-ops and Arizmendiarieta<sup>609</sup> was provided precisely by this priest’s colleagues in his own diocese of Vitoria. Thanks to Azurmendi’s ‘preference to sin on maximizing rather than omitting’, in this case meaning that he extensively quotes the document produced by the Social Secretariat of the Vitoria diocese, called ‘*Conflictos en el Movimiento Cooperativo*’, combined with the Whytes’ account of the 1974 strike and ‘the poststrike debate in the community’, I can gratefully draw on fairly accurate texts and utterances displaying the discursive ‘positions’ of the various committed actors. But, before addressing these positions in quite some detail, I would provide some (inter) national historical and political economic context in which this process and these events happened.

Specifically focusing on the political-institutional dimension of the context in which the Ulgor strike happened, we could draw on the account of Paul Preston. According to this

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608 Azurmendi, J. 1984. *El Hombre Cooperativo. Pensamientos de Arizmendiarieta*, p. 628.

609 *Ibidem*, p. 632.

historian the 1974 Ulgor strike happened in the last phase of Franco's regime, he called 'the long goodbye' from 1969-1975<sup>610</sup>. Franco's belief in a trouble-free future (now he thought the succession resolved) was to be 'rudely shattered in the second half of the 1969. ETA was a threatening black cloud on the horizon. More immediately, however, in mid-August 1969, there erupted the political volcano known as the Matesa scandal.' The so called 'Burgos trials' in 1970 regarding Basque ETA nationalists, two of them originally sentenced to death, later commuted to prison sentences, 'were a disaster for the regime in that they dramatically altered the balance of forces in Spain. The regime's clumsiness had united the opposition as never before, the Church was deeply critical, and the more progressive Francoists were beginning to abandon what they saw as a sinking ship.' (Preston 1993: 754). If we look at the external historical context at the time, we see the 'revolución de los claveles' (the carnation revolution) on April 25, 1974 in neighboring Portugal, constituting a catalytic element in revolutionary mass movements and a revolutionary mood in Spain. As will be shown in a moment, this process of political radicalization could also be identified in parts of notably the Basque clergy, with clear effects on the very critical view of the 'social secretariat' of the Vitoria diocese on Arizmendian, Mondragon cooperativism. Zooming in on the political economic context at the time of this most serious crisis facing Mondragon thus far, we can identify the emergence of an alternative to 'the embedded liberalism that had delivered high rates of growth to at least the advanced capitalist countries after 1945' (Harvey,<sup>611</sup> 2005: 12), an alternative that came to be known as 'neoliberalism'. To quote David Harvey's 'Brief History of Neoliberalism': 'By the end of the 1960s embedded liberalism began to break down, both internationally and within domestic economies. Signs of a serious crisis of capital accumulation were everywhere apparent. Unemployment and inflation were both surging everywhere, ushering in a global phase of 'stagflation' that lasted throughout much of the 1970s. Fiscal crises of various states (Britain, for example, had to be bailed out by the IMF in 1975-6) resulted as tax revenues plunged and social expenditures soared. Keynesian policies were no longer working.' (Harvey 2005: 12). In view of the Spanish political economic conjuncture at the time, this period could be called the end of the long phase of industrialization under Franco's regime, from about 1960 to 1974, a period of growth and expansion. Of course, the Mondragon enterprises proved not immune to these deteriorating economic circumstances with substantive social and political consequences.

Before addressing the '*Conflictos en el Movimiento Cooperativo*', a document produced by the Social Secretariat of the diocese of Vitoria, let me focus on the account of William and Kathleen Whyte of the Ulgor strike in 1974 and 'the shock waves that sent the 1974 strike through the cooperative complex' (of Mondragon), (Whyte and Whyte, 1988: 103). They follow the course of events as reconstructed 'during a month-long seminar in the

610 Preston, Paul. 1993. *Franco. A Biography*. London: HarperCollins Publishers.

611 Harvey, D., 2005. *A Brief History of Neoliberalism*. Oxford: Oxford University Pr.ess.

summer of 1985 by a ULARCO study group working in collaboration with Professor Davydd Greenwood of Cornell University.'

The American authors point at the 'new job evaluation program' as the root cause of growing dissatisfaction among the Mondragon workers, eventually leading to the Ulgor strike in 1974. 'Growing dissatisfaction with current job rates and with the variations in policies and practices among the cooperatives led the management of ULARCO to set in motion a major program of job evaluation. The assignment was complicated, however, by a value inherent in the structures and policies of the complex. *In private industry, it is customary for each plant or company to have its own job description and evaluation program and to have separate systems for blue-collar, white-collar, and managerial workers. Because separation into these three categories was incompatible with the egalitarian values of the members, ULARCO's planners were determined to apply the same criteria to all jobs.* They thus decided to create a standard system to be applied to all 2,883 jobs in the five member firms. The personnel department in ULARCO began what turned out to be a two-year process by studying current practices and policies in private companies in various European countries.' (my emphasis, Whyte & Whyte, 1988: 93-4).

Up to 36 percent of all workers in the committed plants voiced their dissatisfaction with the job evaluation plans, indicating 'a fairly broad and serious concern', according to the authors. There was also widespread dissatisfaction with the 'functional evaluations' (merit ratings). The results could have only a minor effect on an individual's earnings since the merit rating could add only 0.15 to an individual's index on the 1 to 3 pay scale. '*Nevertheless, the merit system gave supervisors power they had not previously had. Many workers personally resented this change and considered the new policy to conflict with Mondragón's basic principle of emphasizing equality among members.*' (my emphasis, Whyte & Whyte 1988: 96).

In an effort to head off the strike, the chairman of the Governing Council of Ulgor called a special meeting of the Social Council on June 19, 1974. He announced the moves management would make in the event of a strike. 'In the first place, a strike caused by internal problems would be considered a serious violation of the rules of the cooperative (*falta muy grave*) and would be sanctioned by expelling the strikers from the cooperative.' (...) He emphasized that those trying to organize the strike had neglected to bring their problems to the Social Council of Ulgor, thus violating the rules and procedures of their cooperative. He took this refusal as an attempt to undermine the constitutional bases of the cooperative.

The leaders of both parties took strong confrontational positions, eventually resulting in calling a strike by the activist workers on the afternoon of June 27, 1974. The Governing Council responded to the strike by immediately expelling 17 worker members who were considered instigators and imposing fines of varying amounts on 397 who followed them

out of the plants. During the brief strike, the strike leaders presented to the managements of Ulgor and ULARCO, through a member on the Social Council of Ulgor, a set of demands for settling the conflict. Reiterating the demands made earlier, they added amnesty for all the strikers and claimed that they would continue the strike until their demands were met. The authors continue: 'The governing council flatly rejected these demands and ratified the expulsion of the leaders and the fines. During the following several days, all except the seventeen discharged strike leaders returned to work. *The strike was broken, but its repercussions were felt widely and for long thereafter.*' (my emphasis, Whyte & Whyte, 1988: 98).

In the section 'Poststrike Debate in the Community' the authors point at 'the 1974 strike provoked the sharpest attacks yet on the cooperatives'. They cite a manifesto of one faction of ETA (as quoted in Azurmendi, 1994: 629), emphasizing among other issues, that the 'cooperative project is trapped in its own laws (the laws of the capitalists) against which they should fight'. The ETA manifesto also points at the role of the state 'as supervisor and driving force of capitalism and that the working class is the only agent capable of destroying it.' (Whyte & Whyte, 1988: 99).

'Considering its source, the most serious attack came from the Church in the form of a statement of the social secretariat of the diocese of Vitoria, under the title of "Conflicts in the Cooperative Movement". This manifesto was read from the pulpit in all the churches. It did not attack the Mondragón cooperatives by name but the cooperative movement in general. Joxe Azurmendi said that the manifesto "constituted a frontal attack by the Church against industrial cooperativism itself, a surprising development for the Church in aligning itself with the most radicalized of the new left" (Azurmendi 1984: 632).

*The attack focused particularly on the prohibition of the right to strike, described as a fundamental right in all democratic countries.* (my emphasis). It argued that Ulgor 'in 1971 established a prohibition of the right to strike in its internal regulations...*These articles reinforce the clauses against the strike of the much-disputed Spanish labor legislation in this regard* and give rise to an internal situation much more restrictive for labor relations than in any other type of firm. (Azurmendi 1984: 633).

According to the authors, the defense was written by Javier Mongelos, general manager of ULARCO, and Jesús Larrañaga, manager of Ulgor. 'Basically, they took the position that the cooperatives had highly democratic structures and open channels for the resolution of conflicts and that the strike had been an attack on the basic nature of the cooperative itself. Don José María played no active role during the strike and did not join in the counterattack against ETA and the Church. Instead, he used the strike as a means of alerting the members to the problem of bureaucracy:

*Any system of organization which attains a certain size runs the risk of being undermined, if within it flourishes a typical bureaucratic and functionary spirit, a fearful illness which degrades any achievement no matter what its nature, as it blocks the dynamic agents which strive to maintain efficiency in response to changing conditions. (Azurmendi 1984: 630).*

Regarding this reaction by Mondragon's founder, the authors expose their surprise, in the sense that they had expected Arizmendiarieta being actively involved in this serious conflict, while in fact he proved 'not involved at all'. (Whyte & Whyte 1988 : 124). As far as his 'non-involvement' is concerned, I would argue this could not have been perceived such a surprise if we look at Joxe Azurmendi's investigation of Arizmendiarieta's thought. One key observation regards the routinely circumventing of Mondragon's founding father of all delicate, sensitive issues that could have political consequences. The author of 'The Cooperative Man' clearly outlined the so-called 'political neutral' position of Father José María during his whole lifetime in Mondragon. And as far as Arizmendiarieta's 'Weberian', bureaucracy-centered approach is concerned, we can identify a striking similarity between this Weberian line of thinking of father Arizmendiarieta, the co-founders as interviewed by Joseba Azkarraga and this researcher's own approach. As elucidated above, this basically a-political and a-historic approach impedes a critical scrutiny of two key, problematic aspects of the Mondragon cooperative ideology and practice, the two basic tenets of 'solidarity' and 'democracy', as formulated by Arizmendiarieta himself. In a section below, addressing the doctrinal framework underpinning the Mondragon cooperatives, I will focus on the relationships between that framework and the mainstream approach of it.

In the section 'Reflecting on the Strike Experience' the authors write: 'The conflict had taken four years to resolve and had been such a matter of dispute both within the cooperative and outside during that period that ULARCO and Ulgor were in a major institutional crisis. Now that the conflict was over, there was a general feeling that the cooperatives had to learn from the bitter experience.' (Whyte & Whyte, 1988: 101). Referring once again to the ULARCO study group (formed 1985) that reviewed the attacks on management by the strikers and their supporters, the authors quote the report of that group:

*'It is true that the cooperative, in facing the market, does share some of the conditions imposed by the capitalistic system. The potential for conflict between technocracy and participation is an undeniable risk not sufficiently dealt with in the period of our concern by the dynamics of the organs of governance and participation. The accusation of social class conflict lacks any real foundation, but the climate of division created in that situation, which translated itself into 'those on top' and 'those on the bottom', led to this interpretation. Concerning the minority position, it is possible that the institution could have adopted postures more open to dialogue. However, both parties adopted positions of*

antagonistic confrontation that were hardly reconcilable. *The cooperative should embody an advance in the development of the labor movement, and in the emancipation of the worker.*' (my emphasis, Whyte & Whyte, 1988: 101).

*'The study group thus ended with a resounding affirmation of the values on which the cooperatives were based. Nevertheless, the group's conclusions raised questions about the way management had handled the conflict. Although the political climate in the community in 1974 had clearly fueled the conflict, the study group did not defend the cooperative by simply attacking outside agitators. They recognized that the strikers had real problems and that the organs of participation were not functioning effectively at the time.*

Could management have avoided the strike? Of course, it is impossible to answer this question, but it appears that confronting the potential strikers with the penalties awaiting them intensified the conflict.' (my emphasis, Whyte & Whyte, 1988 : 101-2).

According to the American authors, 'the 1974 strike sent shock waves through the cooperative complex. It precipitated a series of discussions, centered on questions of internal policies and procedures, designed to discover what went wrong and to devise measures to avoid future breakdowns.'

One prominent issue following the 1974 strike and the end of the Franco regime became the relations of the Mondragon cooperatives with external organizations such as political parties and labor unions. With the legalization of unions and political parties early in the regime of the first post-Franco government, the cooperatives 'came face to face with this issue'. (Whyte & Whyte, 1988: 107). The authors conclude their account of the discussions regarding the 'rethinking the systems of participation', thereby focusing on two 'hot issues' being on the one hand the question of participation of unions and political parties in the governance of the ULARCO cooperatives, and, on the other hand the role of the social councils in ULARCO. They write:

*'Rethinking and decision making in these two cases had quite different outcomes. On the one hand, the question of participation of unions and political parties in the governance of the ULARCO cooperatives was settled for the foreseeable future. To this writing (1988, HW), the issue has not come up again for serious discussion. On the other hand, issues regarding the role of the social councils in ULARCO were not resolved, namely whether the social councils should confine themselves to advising management and facilitating communication between management and the workers or whether they should have the power – like a union – to challenge management and negotiate for the sharing of power in decision making. We will reflect further on this dilemma as we assess trends and problems in the cooperative group in the latter half of the 1980s.'* (my emphasis, Whyte & Whyte, 1988: 112).

This narrative of William and Kathleen Whyte basically reproduces Mondragon's cooperative ideology by affirming its foundational values and principles. Following the study group's conclusions, they confirm their approach being one that could be termed 'affirmative critical', an approach similar to the one displayed in the work of Max Weber. This term I borrow from the German scholar Klaus Türk, who writes: 'Wer von Organisation in Begriffen wie "stahlhartes Gehäuse der Hörigkeit" oder "Unentrinnbarkeit" (wie M. Weber) spricht, lähmt bereits das *Denken* jeglicher Alternative, betreibt somit in der Konsequenz *affirmative Kritik*.' (Türk,<sup>612</sup> 1995: 88). Or, put differently, and in the Gramscian inspired words of Jan Rehmann, the Whytes follow the path of Max Weber as the theorist of 'modernization as passive revolution'.

One of the advantages of the methodology of researching history 'backward', starting with the present problems, dilemmas, tensions, and contradictions facing the transnationalized Mondragon 'coopitalist' corporations, is its explanatory capacity to trace back the pre-conditions, or put in Foucaultian terms the 'dispositifs' resulting in the (preliminary) outcomes of that present situation. Thereby emphasizing these pre-conditions cannot and should not be viewed as pre-determinating factors inescapable leading to the present situation. There is no place in this methodology for a 'predestination doctrine'. A different history was and is always possible. If we look at the accounts of Mondragon's present tensions and contradictions and compare these with the account of the Whytes – representing the mainstream approach – of that enormous 'institutional crisis' being the 1974 strike and its aftermath, a clear pattern in thinking and acting can be discerned. First and foremost, there is the still unresolved (in my view unresolvable) issue of the transformative role of the working class (in conventional terms the factor 'labor') in a capitalist society. As will be elucidated in my addressing the original 'doctrinal framework' of Mondragon's founding father, his high-flown ultimate objectives regarding the creation of a 'new person' and a new 'social order', meaning a *radical* alternative to the existing capitalist (dis)order, were based on 'Personalist' flavored Catholic social doctrine. This conceptual framework proved to be an ideology compatible with the reactionary, at least partially based on fascist 'principles' Franco regime. Arizmendiarieta and his Mondragon cooperative ideas and practices fitted in the corporatist social ideas of the Catholic Church and the Franco regime, from the very start to the end in 1975 ultimately drawing on Mussolini's 'Carta del Lavoro'. Like so many mainstream analysts of Mondragon's history, the revered American scholars ignore this 'inconvenient truth' of striking commonalities between the corporatist underpinned cooperative ideology of Mondragon's founding father and the industrial relations regulating framework, the '*Fuero del Trabajo*', of the Franco regime. By ignoring these relationships, displaying a blind spot to the political economic context of the origin and development of the Mondragon cooperative experience, mainstream researchers such as the Whytes are incapable

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612 Türk, K., 1995. "Die Organisation der Welt." *Herrschaft durch Organisation in der modernen Gesellschaft*. Opladen: Westdeutscher Verlag.

of explaining obvious contradictions, like the building of alleged 'islands of (economic) democracy' within a notorious undemocratic Franquist state, based on oppression and exploitation. In my view their approach obfuscates description with explanation.

My historical materialist approach with its 'periodization' applied to Mondragon's cooperative experience facilitates discerning patterns evolving over a rather extended period, a sort of 'longue durée'. This can be demonstrated by taking as an example the issue of the power relations between 'the rank and file' of Mondragon worker-members and management, as addressed by the forementioned American scholars in their account of the 1974 strike and its aftermath. As we saw in the discursive analysis of the co-founders by Joseba Azkarraga, these co-founders, among them Jesús Larrañaga, at the time of the strike in 1974 a key figure in the conflict, three decades on, remain convinced that the strike had been an attack on the basic nature of the cooperative itself. Their position at the time of the mid-seventies, endorsing the prohibition of the right to strike in the Mondragon cooperatives, basically had never changed. Look for instance at the co-founders' discussion on the 'trivialization' of the Mondragon cooperative imaginary and the ideological function of the Social Councils (Azkarraga 2006: 892-3). Larrañaga, quoted by Azkarraga, points at the Social Councils as the only 'voices with a substantial ideological sensibility, although an ideology I don't like' (Larrañaga, cited by Azkarraga, p. 892). In note 801 of Azkarraga's study, Larrañaga says: 'The Social Councils functioned like trade unions in capitalist firms, occasionally inspired by a Marxist ideology of resisting any form of oppression by capital, and in contrast to the cooperative idea of harmonizing class conflict and of social peace.' ...'On the other hand, the co-founders maintain a critical stance to the actual tendencies (meaning the tendency to approach cooperatives from a class perspective, HW), because this tendency dismantles the very idea of cooperativism'. (My translation, Azkarraga 2006: 892). To put it in the words of another co-founder, Alfonso Gorroñoigoitia: "*La sociedad de personas y la lógica sindical apuntan en la dirección contraria: la lógica cooperativa y la lógica sindical se encuentran en posiciones antitéticas en su forma de entender la empresa e insertarse en ella.*" (Azkarraga 2006: 933). This quote regarding the discussion in 2005 about the contradictory and antithetical 'logics' of labor unions and the (Mondragon) cooperatives clearly reveals a fundamental contradiction wrongly declared 'resolved' by the Whytes in 1988. The accounts of the present situation of the Mondragon cooperatives provide empirical evidence of unresolved contradictions already existing in the very first days of this cooperative experience. Not only contradictions regarding the 'syndical' and 'cooperative' logic, but also in view of the 'communitarian' and 'business' logic which proved to be irreconcilable thus far within Mondragon's cooperative framework. I would argue these irreconcilable key tenets all can be traced back to the *original* thoughts and practices of its founding father, the 'social apostle' don José María Arizmendiarieta.



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## **The intervention of the Vitoria diocese in cooperative conflicts**



The vehement attacks of notably the 'Fracción Leninista de ETA' on the Arizmendian cooperatives would not come of a surprise to Arizmendiarieta himself, his co-operators or analysts like for instance Joxe Azurmendi, author of the authoritative work 'The Cooperative Man' (1984). But that precisely Arizmendi's ecclesiastical 'colleagues' of his own diocese of Vitoria came up with a frontal attack, in fact endorsing the very critical positions of the most radical New Left voices at the time, was not a bit of surprise to many involved people in the Basque country. Particularly if we look at the position of the Spanish Catholic hierarchy in the 30s and 40s, largely supportive to the Franco regime, this radical left turn of the Vitoria Diocese caused astonishment, to say the least. Remember, it was a Franco supporter<sup>613</sup>, Apostolic Administrator of the same Diocese of Vitoria, bishop Francisco Javier Lauzurica y Torralba, who, on the 21<sup>st</sup> of December 1940, ordained father Arizmendiarieta as a priest in the parish of Arrasate (Mondragon). But, as Azurmendi noted, the Church could be seen as 'a sign of contradiction', a powerful institution encompassing diverging, even contrasting views on the nature of the Franco regime, for instance. We will soon turn to Arizmendiarieta's position in this 'uneasy' issue.

Considering this critical intervention of the Church as 'the most complete and best systematized critique from a Leftist position', Joxe Azurmendi writes<sup>614</sup> that this critique deserves a rather detailed treatment, requiring extended quotations elucidating the argument of the Social Secretariat of the Vitoria Diocese.

### *Putting this document of 'exceptional significance' in a macro cultural psychological context.*

This document of the 'Secretariado Social Diocesano', dated 16 November 1974, in the mainstream body of literature considered 'the most serious attack, the most complete and best systematized critique from a Leftist position' (e.g. Whyte & Whyte 1991: 99; Azurmendi 1984 : 632). In contrast to the way this critique has been addressed in the mainstream scholarly literature, that is, similar to Arizmendiarieta's own circumventing (non)reaction, it has been conveniently glossed over, basically fitting in a 'non-political', 'neutral' and 'objective' approach to this political conflict about the 'cooperative' business model, my Marxian-Vygotskian inspired approach requires a thorough scrutiny of this, indeed, most complete and best systematized critique from a Leftist position.

The critique of industrial cooperativism itself, the Mondragon cooperativism included, exposed in this ecclesiastical (sic) document, largely fits in the theoretical perspective of this monograph.

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613 See Azurmendi's 'The Cooperative Man', p. 39, 'For his part, he [Lauzurica] seems to have been very clear on his apostolic mission in the Basque land: "I am one more general at the orders of the Generalísimo to crush nationalism."

614 *Ibid.*, p. 632.

First, regarding the *'insertion into the capitalist system'*, in my perspective, the document rightly notes that 'producing for the capitalist (market) system necessarily perverts the goals of cooperatives (like Mondragon)<sup>615</sup> and ensures its insertion into the capitalist system.' Emphasizing the profit motive as the key driving force (conventionally called the 'business logic' of Mondragon) of most cooperatives, the document argues that those cooperatives submit themselves to 'the laws of the capitalist market, that is, follow the imperatives of growth (see the *'grow or die'* dilemma, or, the *'there is no alternative'* (TINA) principle) facing Mondragon) thereby exposed to the danger of exploitation of consumers as well as workers through the effects of prices and wages respectively. Cooperatives like Mondragon, although *internally* to a certain extent functioning differently from capitalist enterprises, can be viewed *externally* as capitalist firms. According to the authors of the document the articulation of the internal and external *solidarity* cannot be separated. I contend this *flawed* solidarity, precisely one of the two 'constantes' of the Mondragon cooperative 'movement', has been empirically confirmed by a number of researchers, like, for instance, Anjel Errasti and Ignacio Bretos in their investigations of the relations between foreign subsidiaries and parent cooperatives. These scholars noted in their research on the rise and fall of *Fagor Electrodomésticos*: "However, probably the most difficult barrier to overcome was the *resulting loss of control over the subsidiaries* that could threaten the jobs of cooperative members at the parent company." These researchers concluded that "the top management and worker-members in the Basque Country did not want to lose control of the company or of its subsidiaries – and this was a determining factor -." A load of empirical evidence has been provided to substantiate the criticism of the document, ever since it was presented in 1974. Regarding the issue of Mondragon's *'insertion into the capitalist system'*, this critique can be traced back to its original, fundamentally flawed conceptual framework, ultimately drawing on a pre-capitalist critique of capitalism, combined with a collaborating strategy. This combination resulted in Mondragon's cooperative 'movement's ideological compatibility to the obvious undemocratic, oppressive Franco regime, during which the Mondragon cooperative experience originated and consolidated.

Second, regarding *'the internal deterioration (or degeneration)*, the authors of the document argue that abandoning of the class struggle 'signifies cooperatives failing the fundamental objective they are proposing. Put in simple terms: in the production cooperatives (like Mondragon) exists the same class struggle as in capitalist firms, despite slightly different foundations. Maybe this issue recently has been formulated very acutely by the *New York Times* journalist Peter S. Goodman. End 2020 he wrote 'Co-ops in Spain's Basque Region Soften Capitalism's Rough Edges'. Despite Arizmendiarieta's reflections on a 'class-less' society, from the outset up to our days, the cooperative 'business formula' he founded and inspired, actually, that is, in theory and practice, neither selected a

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615 Remember Arizmendiarieta's self-acclaimed ultimate objectives to strive for a 'new person' in a 'new order' radically different from the capitalist order.

conceptual framework, nor a strategy incorporating such revolutionary transformative and empowering capacities necessary to ever reach that class-less society. As I argue in this monograph, his Personalist conceptual framework, the ideological foundation of the Mondragon co-ops from the start till today, combined with his collaborative strategy with the Franco regime, *inhibit* the required radical approach to overcome the capitalist, class-based society. The authors of the document, rightly in my view, point at the Mondragon *fiction* of a co-op being a class-less 'labor community' operating within a 'people's community', capable of *radically* transforming the existing capitalist order in a new order for a new person. As the hotly debated Ulgor strike of 1974 clearly demonstrated, the Mondragon cooperative ideology, coded in its regulations at that time, strongly defended by Jesus Larrañaga, manager of Ulgor (and one of the co-founders), was based on a fiction, at least in the eyes of a minority of the *socios*. Strikes were forbidden, because they were considered being incompatible to 'the basic nature of the cooperative itself'. Now, about almost half a century on, we have not found any evidence that could substantiate the alleged radical transformative and emancipatory capacity of the Mondragon version of cooperatives. On the contrary, as abundantly shown by numerous empirical research projects. We must conclude that the fundamental contradictions within 'the heart' of Mondragon's cooperativism thus far have not been resolved, rather exacerbated in the process of (transnational) expansion.

Third, addressing the issue of '*the risk of domination*', the authors of the document hit the nail on the head in their prescient view on issues like the concentration of decision making power, the allocation of 'authentic competence' to a tiny, powerful group, the tendencies of disappearance of 'autogestión' (self-governance), to minimizing the workers' participation and, as they call it, 'to falsify self-governance into the manipulation of those non-competent workers into the mysteries of economic life'. So, ultimately, paving the road to the constitution of a 'class' of directors. Precisely these processes regarding the concentration of decision-making power, the ongoing disappearance, or, at least degeneration of self-governance and participation, officially key tenets of the Mondragon co-ops, proved to be contested and have been disputed, sometimes quite vehemently, since the 1974 document up to the present. Consensus on these key topics has not been reached.

Fourth, '*the risk of passivity*', according to the authors, must be directly linked to the failing participation in cooperatives. They emphasize the need to focus on the cooperativists in the *external capitalist context* and the *internal context of domination and passivity*. They observe the process of dominance generally translating in the number of docile and passive workers. Again, the authors address a key point in Mondragon's cooperative experience. As shown by a number of researchers, the risk of passivity proved to be a real risk. Notably the work of Iñaki Heras-Saizarbitoria, exploring the basic principles of worker-

owned organizations in practice<sup>616</sup> points at “a certain tacit and non-formal *principle*, which is prevalent among the *socios*, especially among the younger ones. A principle which was expressed by one of them in this way: ‘At the end of the day, that’s what there is, I’m a socio and they can’t throw me out – that’s the only principle that is abided by’. (Heras 2014: 655). His interpretative analysis providing evidence of a decoupling of cooperative principles from the workers’ daily activity, thereby demonstrating the point made by the document regarding the risk of passivity. My paying attention to the work of priest, scholar and activist Ignacio Martín-Baró, while comparing his approach to Arizmendiarieta’s Personalist thought and practice, theoretically elucidates the psychological relationship between oppression (domination) and passivity. Despite the different geographical, historical, political and cultural context his macro cultural psychological approach to domination and passivity, fitting in my theoretical perspective, opens avenues in explaining this real existing risk in the context of the Mondragon cooperatives. In general terms we could think of such approach as conceiving subjective and objective ‘moments’ in labor activities like ‘moments in a move, part of a much more complex totality’, or, in theoretical terms, applying a dialectical, historical material, strategic-relational approach. This conceptualizing contrasts with ‘the old idealist misery of a human being confined to its subjectivity’. (W.F. Haug 2021<sup>617</sup> : 70-71).

Fifth, the document points at ‘*cooperative egoism and separatism*’ in recognizing the danger besetting cooperativism ‘to confine itself merely to enjoy the internal tranquility of its ‘own’ enterprises, participating in the erstwhile benefits of the capitalists, thereby remaining indifferent to and detached from the struggle by other workers fighting to eradicate any trace of exploitation and oppression. Here the document enters a terrain we could call disturbing if not embarrassing to Arizmendiarieta’s and Mondragon’s position during Franco’s extremely oppressive policies in the 1960s and 70s. Following his conventional ‘strategy’ of always avoiding any conflict that could have political consequences, Mondragon’s founding father remained silent on atrocities of the Franco regime, such as regarding the ‘Burgos trials’. Borrowing his own words, I wonder if Arizmendiarieta’s statement ‘there are silences that are betrayals’ (Azurmendi 1984: 61) should be applied to this silence, in these circumstances. He also ‘ignored’ the non-violent protests of his colleague priests in the Basque Country in 1968, violent suppressed, by the government as well as the Church’s hierarchy. We will return on this issue in a moment.

In view of Arizmendiarieta’s high-flown, self-acclaimed key values and principles, like, for instance, solidarity and democracy, this real position in daily practice, regarding concrete processes and events, happening ‘around the corner’ so to say, and obviously at odds to these values, seems hardly conceivable. The only explanation I could imagine is his alleged

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616 Heras-Saizarbitoria, I., *The ties that bind? Exploring the basic principles of worker-owned organizations in practice*. In: *Organization*, 2014, Vol. 21(5), 645-665.

617 Haug, W.F., 2021. *Vorschule zur Philosophie der Praxis*. Hamburg: Argument Verlag.

a-political and a-historical worldview. As Joxe Azurmendi writes in his classic work 'The Cooperative Man' *'the political aspects will be the most neglected and least developed. On political topics, he will always appear shy.'* (Azurmendi 1984: 123). The same goes for Mondragon's founding father aversion to 'look back', that is, in terms of this monograph, his aversion to *'recover the historical memory'* of notably the Spanish Basque people.

It is the 'egoism' of the cooperative firm that morphs into an egoism of the individuals, the authors write. Here we can identify a parallel to the *'Southern Question'* as pointed out by Gramsci in his Prison Notebooks and elucidated by Jan Rehmann in the section addressing 'the critique of corporatism and Fordism'<sup>618</sup>. That is, 'Gramsci's theory of hegemony helped criticize the ideological nature of an arrangement that in bourgeois society is usually considered a 'normal' and 'healthy' representation of working-class interests, namely 'corporatism', i.e., a social group's limitation to its immediate economic goals, cut off from any wider perspective of social emancipation and transformation. Such a corporatist limitation allows the ruling bloc to pit the different fractions of the working and middle classes against each other and to foreclose broad class-alliances that could lead to the construction of a new hegemony'. (Rehmann 2013 : 139-40). In my view, this Gramscian approach offers a fruitful theoretical explanation of what the document calls 'cooperative egoism and separatism' foreclosing broad class-alliances that could lead to the construction of, in Arizmendian terms, a new order.

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618 Rehmann, J. 2013. *Theories of Ideology. The Powers of Alienation and Subjection*. Chicago, Ill.: Haymarket Books.





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**A Gold Medal versus A Manifesto:  
about the difference between the  
'meek and the militants'**



“By Decree of the 3<sup>rd</sup> of June 1965, the *Medalla de Oro al Labor* is granted to don José María. The Minister of Labor, Romero Gorria,<sup>619</sup> personally presents the medal the 25<sup>th</sup> of August 1966.” According to Joxe Azurmendi, in his ‘Cooperative Man’, this is one of the milestones of Arizmendiarieta’s work and life in Mondragon. If we look at this event within the political context of that particular time, a turbulent period with a fast-growing group of openly critical priests, resisting the brutal oppression of the Franco regime, particularly regarding the struggles by workers, this grant could be viewed as ‘uneasy’ to say the least, if not outright embarrassing for Arizmendiarieta.

Let me elucidate somewhat the political context at the time of Arizmendiarieta’s granted Gold Medal. First by quoting historian Paul Preston’s account of events during the early sixties, and second in presenting a contrasting event occurring November 1968, resulting in a document called “*Manifesto of the curates of the Basque people*”, directed at Pope Paul VI.

### ***Militant workers of Basque steel industry and Asturian mines and their brutal oppression.***

Writing about the political situation in Franco’s Spain during the early sixties, the English historian Paul Preston notes: “The Community’s refusal to open political negotiations merely convinced him (Franco, HW) that Spain was still surrounded by hostile forces determined to bring him down. This belief was reinforced shortly after by the outbreak of a wave of industrial unrest. *Throughout April and May 1962, there were strikes in the Asturian mines and the Basque steel industry.* Despite the massive and brutal deployment of the Civil Guard and the armed police, the strikes spread to Catalonia and Madrid. Stopped not by repression but by wage increases, the strikes marked the beginning of the end of the Falangist vertical syndicates and the emergence of a new clandestine working-class movement. The strikes were economic rather than political in motivation. In the economic revival which followed the harsh austerity of the stabilization plan from 1959 to 1961, the workers were determined to improve wage levels. Their victory showed that the State-owned enterprises and private sector industrialists were prepared to pay to avoid interrupting valuable production. Franco did not see things in such terms but crudely attributed labor unrest to outside agitators. He was infuriated by the many declarations of solidarity with the strikers received from France, Italy, Germany, and Britain *and was perplexed because many priests had expressed support for the workers, particularly in the Basque Country.*” Franco gave his public analysis of the strikes on 27 May 1962, at the Cerro Garabitas, a battleground of the Civil War siege of Madrid, where he ‘dismissed the strikes as unimportant, taken seriously abroad only because of the wild statements of ‘the odd Basque separatist priest or the clericalist errors of some exalted priest.’ (my emphasis, Preston 1995: 702).

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619 Jesús Romeo Gorriá, Minister of the Franco Government from 1962 to 1969, a member of the Cabinet originating from the FET-JONS (Falangist) faction.

“In the spring of 1964, the celebratory spirit (of commemoration the 25 years of Francoist ‘peace’, HW) was marred by a resurgence of tension in the Asturian mines. The immediate cause of the strikes which broke out in April was a new labor law that the miners rejected because it failed to deal adequately with the appalling problems of silicosis. As the strike spread, the government lashed out with a savage repression. Men were dismissed and strikers arrested, many of whom would languish in prison until 1970. On 8 May 1964, in a meeting of the Comisión Delegado de Asuntos Económicos, there was a violent argument about industrial policy between the Minister of Industry, Gregorio López Bravo, and the Minister of Labor, Jesús Romeo Gorría. Romeo accused López Bravo of being too ready to buy off strikers.” (My emphasis, Preston, 1995: 716). The eminent historian Preston calls the nature of the regime in general and of Franco in particular ‘barbaric’, it was ‘unmasked by the trial and execution of the Communist Julian Grimau García in 1963’.

*The Franco regime and its valuation of Arizmendiarieta’s cooperative ideology. The Gold Medal of Labor as the regime’s recognition of an allied, corporatist vision on labor and the working class.*

Remember, this horrible event just happened two years before Arizmendiarieta was granted the Gold Medal by this regime. Understandably this was sharply criticized especially by those Basques resisting this ‘barbaric’ policy. In the periodization of Mondragon’s history, the Gold Medal Award is considered as a ‘result’ of the pre-conditions built up during the decades before, the years Arizmendiarieta worked on the start and consolidation of ‘his’ coops. Following the line of my studying history ‘backward’ these pre-conditions will be addressed in the subsequent period, the original years of Mondragon’s inception and start-up.

The Gold Medal Award demonstrates the Franco regime’s valuation of Arizmendiarieta’s untiring dedication to the cause of Mondragon’s cooperatives. Obviously, this award displays the appreciation of the regime for Arizmendiarieta’s activities in Mondragon. Franco’s Minister of Labor considered these activities as fitting in the regime’s corporatist labor policy, a policy ultimately based on the ‘*Fuero del Trabajo*’, this ‘veritable Magna Carta of social justice in Spain’.<sup>620</sup> This event, combined with the Manifesto of the Curates of the Basque People, a document I will turn to below, reveals a key element in Mondragon’s cooperative ideology as practiced by Arizmendiarieta, that is, its *corporatist* foundation. In contrast to the conventional approach to Mondragon’s genealogy, largely overlooking if not completely ignoring this philosophical-theoretical as well as practical underpinning, my approach highlights the importance of this concept. I would argue taking seriously the corporatist framework enables to explain such persistent contradictions, dilemmas, paradoxes, tensions, or whatever label one would stick on it, as identified by so many researchers in Mondragon’s history. To put it conversely, corporatism constitutes a theoretical ‘blind spot’ in numerous mainstream studies, thereby impeding to

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620 Franco, *Discursos, 1964-1967*, pp. 219-51, quoted in Preston’s ‘*Franco*’, p. 729.

dissect some key problematic aspects of Mondragon's cooperative ideology, like the disassociation between Arizmendiarieta's high-flown *rhetoric* about 'democracy' and 'solidarity' as core tenets of 'his' cooperative movement, and his *practice* of collaboration with a notorious undemocratic regime that brutally oppressed notably working class people, right before his eyes. Precisely this disassociation will be presented in this section by contrasting two almost simultaneous events. One is the Gold Medal Award, representing Arizmendiarieta's collaboration with the Franco regime, or, to paraphrase Paul Siegel<sup>621</sup>, his belonging to the 'meek', and the other is the manifesto of his Basque colleague-priests, strongly resisting the regime, therefore representing the 'militant'.

### *The 'meek' priest Arizmendiarieta versus the 'militant' Basque priests of the 'Manifiesto'.*

As evidenced by the Gold Medal Award for father Arizmendiarieta, the Franco regime had no problems with the ideology and practices of the Mondragon-style cooperatives. Obviously, these fitted in the labor policy of Franco and his ministers and could be presented as a fine example of the *Fuero del Trabajo's* potentialities to realize social justice in economic practice. Minister of Labor, Jesús Romero Gorriá, from the FET-JONS (Falangist) faction in Franco's cabinet at the time, highly valued the activities of the Mondragon parish priest Arizmendiarieta.

## **16.1 A radical view on the Spanish Church and State: Manifiesto de los Curos del Pueblo Vasco**

In sharp contrast to the appreciation for Arizmendiarieta's work, the activities of Basque priests who refused to collaborate with the regime, and openly resisted it, like those priests who occupied the Seminary of Derio (Bilbao) in 1968, were severely suppressed. During this occupation the group of Basque priests wrote an 'urgent petition', a '*Manifiesto de los Curos del Pueblo Vasco*'<sup>622</sup>, directed at Pope Paul VI, demanding his intervention to stop the unacceptable oppression of the Basque people by the Franco regime. The protesting priests' manifesto starts with this quote from Cardinal Saliego: "*Resignarse ante la injusticia sin protestar contra ella, sin luchar, no es digno de un hombre ni de un cristiano*", thereby setting the stage for this petition. These priests refuse to resign, without resistance, to the injustice produced by the Franco regime, an attitude they consider to be unworthy of any (Christian) person.

In their document the Basque priests strongly condemn the role of the Catholic hierarchy in the political, economic, and cultural suppression of the Basque people. Instead of stimulating a coexistence in a sphere of tolerance between diverse social groups in the

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621 Siegel, P., 2005. *The Meek and the Militant*.

622 Retrieved from the *International Institute of Social History (Amsterdam)*, *Spanish Resistance Collection (ARCH01371)*.

Basque country, the Church privileges Castilian language, and customs. Its compromise with the Franco regime not only suppresses the Basque language and culture, but also contradicts the doctrine of the Catholic Church encompassing love, dignity, and social justice. This compromising policy fails the legitimate Basque ambitions and values. In the view of these priests the Church neither is a Church for the Basques, nor of the Basques. The hierarchy neither represents the people nor the believers. The Church's structure reflects a reality imposed upon the Basque people, an established Castilian (Spanish) cultural and political order. They protest this Church of the '*vencedores*', the winners of the Civil War.

The ecclesiastical institution these priests are part of, proves to be subservient to the political establishment and closely cooperating with the regime, as evidenced for instance by the prerogative of the head of state, Franco, to select and appoint bishops. Because of this loyalty to the Spanish state and its political order, the hierarchy dismisses every manifestation of the Basque people's ambition to self-determination.

Moreover, 'our ecclesiastical institution is capitalist and class-based'. Conventionally the hierarchy merely addresses individual situations but never challenges the political system or the social order. In contrast, regarding activities of the proletariat the Church maintains an insensitive stance just like the attitude towards the brutal repression of priests and Christian movements. Similar processes can be identified in the internal relations of this institution, its authoritarian structure abandons any responsible participation of the community. The priests conceive their institution as 'an empire of economic interests, privileges, powers, and above all, as sticking to a religious monopoly position.'

What kind of Church the Basque priests demand?

First, they demand their Church being a '*poor Church*', struggling for the interests of the poor and oppressed people, in stark contrast to the actual existing institution which forms a serious 'obstacle' for the salvation of the people.

Second, they demand a '*free Church*', that is, free from '*servilismos a fuerzas y compromisos humanos*', slavishly following human forces and compromises, a Church focusing on trying to liberate itself from its sins, abandoning its traditional diplomacy and formalism, and stops compromising with political and economic powers.

Third, they demand the Church to be *dynamic* institution, liberated from its actual conditions like those of its international financial interests and compromises with political groups, abandoning its 'unwordly' external relations, and, instead, developing itself into a kind of 'travelling companion' to the human family.

Fourth, they demand an *indigenous* Church. If that Church would ‘permanecer en nuestro Pueblo’, that is, would like to be a genuine part of the Basque people, it will have to be profoundly and structurally reformed. A superficial ‘window dressing’ won’t suffice. A systematic reorganization of the Diocese is urgently needed and should be organized by an elected bishop after an election process with direct influence of the people. The absence of the Church’s hierarchy in the struggles and anxieties of the Basque people provokes, so the priests write, provokes a ‘massive alienation, especially of the youth, from the Catholic Church’.

## **16.2 A radical different view on Church and State scrutinized in the theoretical and historical context of the Mondragon cooperative experience**

First, in their Manifesto, the Basque priests demand their Church to be a ‘poor Church’, and not the wealthy Church, being one of the ‘*poderes factuos*’ in Spain at the time. They demand a Church explicitly and actively taking side of the ‘have-nots’, the ‘poor’, or, in the terms of a scholar like Jule Goikoetxea, taking side of the Basque ‘demos’, stimulating the sovereignty and facilitating the required institutional and constitutional power, fundamental for democratization. As addressed in the theoretical perspective, Part One of this monograph, the approach of priest Martín-Baró as elaborated in his ‘liberation psychology’, fitting in a Ratnerian ‘macro cultural psychology’, in a similar vein focused on the poor ‘campesinos’ and actively resisted the oppressive State and ecclesiastical hierarchy in his country (El Salvador). This in contrast to priest Arizmendiarieta’s Personalist inspired cooperative ideology, compatible to the Franco regime’s ‘*Fuero del Trabajo*’, obedient to the obviously undemocratic, oppressive regime that concluded, just before Mondragon’s first cooperative started, a Concordat with the Roman Catholic Church, the same institution Arizmendiarieta always tried to defend in public. (Azurmendi 1984: 44).

Second, the Manifesto demands a ‘free Church’, abandoning its traditional diplomacy and formalism and stop compromising with political and economic powers. The just mentioned Concordat clearly demonstrated in the Spanish case this compromising policy. Again, this demand of the Basque priests reveals a crucial and original flaw in Arizmendiarieta’s cooperative ideology, namely it’s so called ‘a-political’ or politically neutral position in the historical context of Basque Spain at the time. This alleged a-political (and a-historical) stance is contradicted by well documented historical accounts. In order to elucidate this flaw within the theoretical perspective of this monograph, I would point at Fanón’s, Freire’s and Martín-Baró’s ‘*conscientization*’, that is, their emphasis on *this key concept in overcoming the psychology of oppression* and noting that ‘conscientization is political or it is not conscientization’, ignorance of politics is the negation [ antithesis ] of the process of

conscientization”<sup>623</sup> indeed, this lack of ‘conscientization’ in Arizmendiarieta’s approach to cooperativism’ reveals an original and fundamental flaw, I would argue probably even his most important flaw.

Third, they demand the Church to be a *dynamic* institution, liberated from its actual conditions like those of its international financial interests and compromises with particular political groups (think of the Concordats with Mussolini and Hitler), abandoning its ‘unwordly’ external relations, and, instead, developing itself into a kind of ‘*travelling companion*’ to the human family. These latter demand for change clearly echoing the progressive positions voiced during the Second Vatican Council (1962-65) and, more specifically, conceptualized by the French scholar and priest Marie-Dominique Chenu in his brief volume “*La ‘doctrine sociale’ de l’église comme idéologie*”.<sup>624</sup> This expert on the Vatican Council drawing on a meticulous scrutiny of the numerous Vatican-texts, elaborated a critical perspective on the ‘social doctrine’ of the Catholic Church. He concluded this ‘doctrine’ functioning like an ideology, basically endorsing the established, that is, capitalist social order, or, in other words, the social ‘status quo’. In this monograph I show that, for instance, the Catholic priest and scholar Ignacio Martín-Baró followed a path, similar to Chenu’s vision. That means he takes as his starting point an attempt to understand ‘the signs of the time’ and subsequently elaborates on a revolutionary, liberating ‘social’ practice, inspired by the Gospel. Concretely, his understanding of the ‘signs of the time’ was grounded in a social, class-based analysis of the existing capitalist societies like El Salvador, the country he lived in most of his lifetime. On this basis he practiced his emancipatory and empowering work as a priest and scholar. Once again, a sharp contrast can be identified to priest Arizmendiarieta’s emancipatory and empowering work in Mondragon and the Basque Country. This priest’s work and practices grounded in a Personalist vision, closely related to the Church’s social doctrine, which in my view functioned as an ideology, ultimately affirmative to the social status quo of Franco ruled Spain. This ideological function can be explained by applying the concept of ‘corporatism’, in this case constituting the theoretical linking pin of Franco’s ‘*Fuero del Trabajo*’ (the rules regulation the capital-labor relations in Spain at the time) to Arizmendiarieta’s Personalist reading of the Church’s social doctrine.

Fourth, the Basque priests of the *Manifiesto* demand an *indigenous* Church. If that Church would ‘*permanecer en nuestro Pueblo*’, that is, would like to be a genuine part of the Basque people, it will have to be profoundly and structurally reformed. A superficial ‘window dressing’ won’t suffice. The absence of the Church’s hierarchy in the struggles and anxieties of the Basque people provokes, a ‘massive alienation, especially of the

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623 Ratner, C., 2019. *Psychology’s Contribution to Socio-Cultural, Political, and Individual Emancipation*. Palgrave Macmillan.

624 Chenu, M.D., 1979. *La “Doctrina Social” de l’église comme idéologie*. Paris: Les éditions du Cerf.

youth, from the Catholic Church'. These circumstances, the authors of the Manifesto believe, expose an 'urgent and serious situation'. A situation exacerbated '*sobre toda, por el silencio de la Jerarquía*'. Despite innumerable writings, documents, petitions from priests and the people directed at the hierarchy, this leading group remains deaf to the voices and silent to the suppression and injustices of the Franco regime. To press the Apostolic Administrator to start this urgently needed 'renovation' the group of Basque priests decided to occupy the Seminary of Derio (Bilbao) and write this Manifesto directed at Pope Paul VI. The bishop called on the police and they surrounded the Seminary building in order to try to enforce the retreat of the rebellious occupants. The protest actions expanded to the Theological Faculty of Deusto University. In a letter from 516 of the 910 priests of the Bilbao Diocese protested against the actions of the bishop.

For the purpose of the historical part of this monograph the focus is on the position taken by the 'colleague' Basque priest don José María Arizmendiarieta in regard to this dispute. In line with Azurmendi's conclusion about Arizmendiarieta's 'political shyness', always trying to avoid positions that could have political consequences, in this concrete dispute Mondragon's founding father remains silent. This silence could be expected. Not only because of Azurmendi's correct observation, but in this case particularly Arizmendiarieta's silence can be directly linked to the recently granted Award by a minister of the Franco cabinet, a representative of the very oppressive and unjust regime the Basque priests occupying the Derio Seminary overtly protested and demanded support of that protest from Pope Paul VI and the Church's hierarchy. Put reversely, it would have been extremely surprising if don José María would have endorsed his colleagues' Manifesto. After all, the inconvenient truth of Mondragon's founding father once again proved to be his collaborative strategy, fitting in a conceptual framework, compatible with the labor and industrial relations policy of the Franco regime. In short, to explain Arizmendiarieta's silence by his 'political shyness' is one thing, to explain the consonance of his silence with his high-flown key tenets 'solidarity' and 'democracy' is quite another.

A gold medal versus a manifesto: about the meek and the militants



17



**Back to the historical roots of the Mondragon cooperative experience**



The next step in Mondragon's historiography focuses on the pre-conditions of this coincidence between on the one hand the Award of the Gold Medal of Labor and on the other hand Arizmendiarieta's silence about the protest and resistance of a group of Basque priests. We now enter the first decades of Mondragon's history, focusing on the original activities and thoughts of its founder and inspirer.

### **17.1 The origins of Mondragon according to Molina and Miguez**

A valuable final point of this periodization constitutes the article of two historians, Fernando Molina and Antonio Miguez, published in 2008: *The origins of Mondragon: Catholic co-operativism and social movement in a Basque valley (1941-59)*.<sup>625</sup> These scholars referred to the British economist Robert Oakeshott as the researcher who placed Mondragon 'on the European map of business and social economy' by publishing in *The Observer* of January 1973 his account of a visit to Mondragon. According to Molina and Miguez the British economist defined Mondragon as an 'oasis of democracy' within General Franco's dictatorship; the result of a singular 'alliance between the exciting attempt to reconcile modern industry with social justice and democracy'.

In the section '*The formation of a priest with a social vocation*' Molina and Miguez point at Arizmendiarieta's education in the Seminary of the Diocese of Vitoria, which was then the most prominent educational center of the Spanish Catholic church. 'He was educated by a brilliant generation of intellectual priests committed to the social question and what Catholics called the 'redemption of the worker's world'. Pope Leo XIII's encyclical *Rerum Novarum* (1891) had provided the practical content for the church to articulate an integral social initiative in response to the clashes arising from the new liberal world order and the Marxist response. The Social Code, written by Cardinal Mercier at the University of Malinas (1920), and the papal encyclical *Quadragesimo Anno* (1931) by Pious XI completed the triad of reference texts for European social Catholicism in the inter-war period. A generation of students grew up around Arizmendiarieta in the Vitoria Seminary, which was particularly modern in social thinking thanks to pedagogical and curriculum reform by its new chancellor, Mateo Ezkarzaga, in the early 1930's. According to the authors, two teachers influenced Arizmendiarieta profoundly. The first was Jose Miguel de Barandarian, whose modern perspective included new disciplines such as sociology and anthropology, along with a virtuous notion of life and work that was 'saturated with peasant religiosity'. The other outstanding figure was Juan Thalamas, a priest trained at the Saint Sulpice Seminary in Paris, one of the most important intellectual centers of Catholicism. Thalamas was a 'powerful conduit for the most advanced Catholic thinking and social doctrine, influencing the seminary students of Arizmendiarieta's generation.' (Molina & Miguez, 2008: 287).

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625 Molina, F., and Miguez, A., 2008. 'The origins of Mondragon: Catholic co-operativism and social movement in a Basque valley (1941-59)'; in: *Social History*, Vol. 33, No. 3, August 2008.

“Years later, Arizmendiarieta remembered how Thalamas introduced him to the journal *Esprit* and the innovative social ideas of French Catholic philosophers, especially *Jacques Maritain and Emmanuel Mounier*. (my emphasis). Their proposals had come alive in various Catholic social initiatives by francophone states and their entrepreneurial elites. Among their strategies to reduce social conflict during those years of economic crisis, one that had already proven its worth was co-operativism, which had been successfully applied in Belgium. Arizmendiarieta also read *Euzkadi*, the official newspaper of the Basque Nationalist Party, which was dedicated to extending Christian social thinking and successful European entrepreneurial strategies.<sup>626</sup> Another of his readings on social questions was *Gizarte Auzia* by the Basque priest Juan Bautista Eguzkitza. Written in Basque and intended for the Basque rural population, this became the most influential channel for the modern social doctrine of the church. *Gizarte Auzia* was a collection of articles that connected papal social doctrine with the historical experience and the social reality of the Basque peasantry. This allowed the church to give local ethnic content to the international discourse of social Catholicism.

Arizmendiarieta also absorbed two key objectives from the numerous works of Joaquin Azpiazu. This Basque Jesuit had unfailingly publicized social Catholicism and was one of the most widely read ideologues among seminary students. *Azpiazu would go on to inspire the social legislation of the Franco regime, stating that if the church wanted to (i) recover the trust of the masses and (ii) stop the advance of communism, it needed to re-evaluate its view of private property by recognizing its social nature and subjecting it to the common good and higher rights, such as the right to life.* (my emphasis).

Another source of student essays and reading material during those years were the pamphlets of the Basque Group for Christian Social Action, which had been formed in December 1931 with the objective of ‘fostering a social culture among the various elements of the working world’ in the three Basque provinces of Spain. (Molina & Miguez, 2008: 287).

According to these authors, the social doctrine taught at the Vitoria Seminary was not decidedly nationalist in a Basque or Spanish sense, but drew from both, allowing each seminary student the freedom to identify with one or the other. The fundamental objective that brought unity to its ideological and intellectual diversity was the common theme of ‘transforming seminary students into the future leaders and managers of secular Catholic movements within Catholic Action, so that they could compete with Marxist parties and trade unions in mobilizing the working classes. Father Azpiazu called it ‘social priesthood’ (Joxe Azurmendi uses the term ‘social apostle’<sup>627</sup>).

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626 Molina, F., 2005. *José María Arizmendiarieta (1915-1976). Biografía*. Mondragon: 2005. Pages 98-101, 116-19.

627 Azurmendi, J. 1984. *El Hombre Cooperativo*, p. 78.

The social strategy that the professors transmitted was far from innovative – it was directly derived from the encyclical *Quadragesimo Anno*. The novel aspect of their approach was the ministerial dimension of these Basque Catholic ‘propagandists’. This dimension was reinforced in the Seminary by the Spirituality Movement for the Priesthood, begun there in 1926. Some of the best professors belonged to this movement, including Rufino Aldabalde and Joaquin Goicoecheaundia, both spiritual directors of Arizmendiarieta during those years.<sup>628</sup> It was under the direction of his ‘most influential mentor’, that is, Aldabalde, (Molina & Miguez, p. 288) that Arizmendiarieta in 1940 founded the periodical *Surge* ‘as the mouthpiece for the spirituality movement’. This periodical followed the same line of thinking and themes that Aldabalde had emphasized in his lectures to leading seminary students whom he had personally selected and trained. He identified the exclusion of God from society as the source of all its evils, including the Second World War, the rise of totalitarian regimes, economic and social crises, and the demise of liberal parliamentarianism. He also called for submission to the Pope’s social strategy of using modern means to recover the Christian spirit among the working classes. This strategy was defined in a variety of encyclicals such as *Divini illias Magistri* in the sphere of youth apostleship, *Casti connubi* regarding the family, or *Quadragesimo Anno* regarding the realm of work.

Against this background of Arizmendiarieta’s vocational training and philosophical-theological education, as sketched in broad strokes by Molina and Miguez, in ‘1941 Javier Lauzurica, the Bishop of Vitoria, asked the recently ordained Arizmendiarieta to put this ‘re-catholicizing’ doctrine into practice in the highly conflictive industrial town of Mondragon.’ (Molina & Miguez, p. 288). According to these authors the Civil War had deeply affected Mondragon and its youth. Roughly equivalent numbers of inhabitants had been on either side of the conflict: as socialist or Basque nationalist supporters of the Second Republic or as traditionalist rebels. Thirty-seven of its inhabitants had been killed by firing squads when the city fell into the hand of the rebel troops of General Franco. The Civil War had been fought between the inhabitants of Mondragon and had filled its narrow streets ‘with hatred and grudges’. The harsh post-war years and the effects of the Second World War led to increased rationing, hunger, misery, sickness, and crowding, while at the local level those who had ‘lost the war’ were politically, socially and culturally excluded from every sphere of life.

Within this social, political and economic environment of Mondragon (Arrasate in Basque), according to Molina and Miguez encompassing two ‘distinct communities, one under the tutelage of the Union Cerrajera and the other living in its shadow’, Arizmendiarieta began to promote ‘apostleship for the working world’. After their classes at the School of Apprentices or work in the factories and shops, hundreds of young people would come to hear him speak on sociological and theological topics at the Catholic Action centers

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628 Molina, F., 2005. *José María Arizmendiarieta (1915-1976). Biografía*, p. 129-35.

of Mondragon or at the School of Apprentices. Little by little he formed a core group of those who consistently participated in the social activities he promoted at the centre: plays, fundraising for children and indigents, sporting events, etc. They gradually took on leadership and management tasks, according to their age and ability. Arizmendiarieta began to teach them classic values from Catholic social doctrine, which they applied in their local milieu: enthusiasm for work, austerity in the social sphere, dedication and sacrifice for community ideals, faith in social initiatives, self-examination, and personal integrity in collective tasks. These were the ethical bases for the future co-operativist culture in Mondragon. According to the authors, in a 1942 letter to the Chairman of Union Cerrajera, Arizmendiarieta outlined the aim of his Catholic Action projects: 'Our general objective for the next school year is to mobilize the youth of our town. While training and maintaining a nucleus of the best of them, we are going to act upon the masses.' Years later he would describe this leadership as 'a process of theoretical and practical mobilization, conscience-raising, and preparation, for the purpose of self-government and self-management, by which young people...[r]eceive the highest level of practical training.' These were the young people, like for instance José María Ormaetxea, Alfonso Gorroñoigoitia and Jesús Larrañaga, that would later lead the co-operative experience and we already encountered in the analysis of their discourse by Joseba Azkarraga.

"A select few stood out among them, children of modest working families, who would become the 'redeemers' of their class, according to the Social Action steps developed from the encyclicals of Pope Pious XI, the brochures of Joaquin Azpiazu and the pedagogic principles of Rufino Aldabalde." (Molina & Miguez, 2008: 290).

In the authors' view the difficulties faced by the Mondragon project were clearly determined by the political opportunity structure of the Franco regime and how it affected the social projects of the Catholic church. 'This totalitarian regime was a grouping of political families, with strengths and weaknesses, and Arizmendiarieta took advantage of the window of opportunity it provided. The Catholic church was one of the most prominent of these political families<sup>629</sup>, and even if Arizmendiarieta's communitarian projects were not pleasing to some of his ecclesiastical superiors, the simple fact that they needed to maintain their portion of power within the regime meant that they were inclined to defend his social work. The benefit of this ambiguity for the fledgling co-operative social movement was that it granted autonomy and tolerance for developing a social program that would prepare the way for subsequent entrepreneurial development.' (Molina & Miguez, 2008: 291). The authors point at Arizmendiarieta's insisting in his speeches and sermons during the late 1940s and early 1950s on 'turning pastoral work away from political matters to social ones and emphasizing the role of Catholic Action being separated from the national Catholicism of the dictatorship and act

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629 *In the words of Otto Holman in his dissertation on the transnationalization of Spain the Catholic church was one of the 'poderes fácticos' in Spain.*

independently and impartially concerning the problems of the working class.<sup>630</sup> Guided by the French Catholic personalist philosophy of Leclercq and Maritain, the authors continue, Arizmendiarieta reinforced his idea of man as a communitarian being who could find in co-operative work and emancipatory education the tools for rescuing his dignity from the losses suffered at the hands of industrialization and the gradual secularization of society. But at the core of the personalist philosophy embraced by Arizmendiarieta was the humanist theology of spirituality from Vitoria: 'Let us not forget that all men, whatever their class or condition, carry a spark of divinity.' In Arizmendiarieta's humanist view of society, man was created in the image of God and should not live enclosed in egocentric individualism, turning his back on Christian solidarity. (Molina & Miguez, 2008: 294).

In 1946 Arizmendiarieta's pride and joy, a group of young disciples from Catholic Action, finished their studies as industrial managers in the Union Cerrajera School of Apprentices. They had achieved the highest level that their social class had ever known. They were aged between 18 and 20 and would occupy significant positions at Union Cerrajera, with prospects of attaining the highest factory positions.

"Arizmendiarieta's goal was to create a conscientized working-class, with professional training, infused with Christian social ideals and committed to creating a new order, where labor was more important than capital. On 26 August 1952 this first group of industrial experts received their degrees from the Minister of Education, Joaquin Ruiz Jimenez. That was only the beginning. Each year there were more graduates, until finally the Professional School itself was authorized to offer higher degrees, in the 1960s. The Professional School had by then expanded and moved to larger facilities, providing a constant supply of workers and technicians who were indoctrinated with a work philosophy that was heavily based on co-operative values. It had two clear ideals: to humanize work and to involve workers in the management of the company. This was the only road to Christianizing work and overcoming the injustices of class exploitation. *The social philosophy behind this approach rested on humanist theology, Marxist social democratic ideas, personalist socialism and the social doctrine of the church.*" (my emphasis, Molina & Miguez, 2008: 294).

According to the authors, Arizmendiarieta and his disciples, like notably José María Ormaechea, were optimistic that the company in which they had obtained high, managerial positions, Union Cerrajera, *could be reformed from the inside*. But this optimism proved to be an unrealistic, unfeasible assumption. "In 1954 an internal clash at Union Cerrajera led to a definitive intellectual rift between his 'worker leaders' and the other

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630 Archives of José María Arizmendiarieta, Folder 14, commentaries to Antonio Pildain's pastoral letter, undated; Folder 23, 'El sentido y ámbito de la justicia social', undated; 'La acción social. Problemas de justicia y apostolado', Mondragón, December 1945.

managers. When an equity offering by the Union Cerrajera, Alfonso Gorroñoigoitia and José María Ormaechea proposed that workers be allowed to participate as stockholders. *Management's outright refusal ended all hopes of further Christian reform from within the company.*" (my emphasis, Molina & Miguez, 2008: 295).

For the purpose of this monography on the Mondragon cooperative experience, these authors subsequently point at a crucial change of Arizmendiarieta's strategic course:

"If internal reform of the largest local employer was thwarted despite the Catholic commitment and social sensibility of its managers, then *it was time to take a leap of faith*. It would not be enough to expect behavior patterns to evolve towards a Christian social model in one capitalist company, so that other companies might follow. *Arizmendiarieta abandoned the path he had followed since his arrival in Mondragon and began to encourage young workers, who were dispirited by the 'capitalist' close-mindedness of management, to work within the Franco regime legislation to create a new Christian company*. Thus began the adventure of a co-operative company that would not merely reflect an entrepreneurial vocation but act as a social leader." (my emphasis, Molina & Miguez, 2008: 295).

*'At the core of this ideal company was the basic principle of transforming society through co-operation, something Arizmendiarieta had promoted throughout 14 years of social work. There had to be co-operation at every level: between social classes, institutions, generations, public and private sectors, believers and non-believers, priests and laity, Basque and Spanish nationalists, left- and right-wing parties, liberals and Marxists, employers and employees, men, and woman. This required a religious sensitivity that could soften hardline ideological or patriotic positions, unite ideals, and encourage the sacrifice of individual longings for the good of the community of workers and the community at large.'*

This brief text presents in a nutshell the key moments of Mondragon's cooperative ideology, underpinning 'the adventure' of the Mondragon cooperative experience.

To conclude this element of my periodization of Mondragon's history, a brief, critical scrutiny of Molina's and Miguez's account of the origins of this cooperative 'movement' will be outlined. This scrutiny draws on the theoretical perspective developed in Part One of the monograph, particularly linked up with Carl Ratner's critical review of these authors' account in his volume 'Cooperation, Community, and Co-Ops in a Global Era', sections 'The Mondragon Cooperative', 'Limitations of Mondragon's Cooperative Philosophy' and, 'Political Neutrality'.<sup>631</sup>

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631 Ratner, C., 2013. *Cooperation, Community, and Co-Ops in a Global Era*. New York: Springer. Pages 87-95.

## 17.2 Fundamental flaws in the account of Molina and Miguez

The narrative of the two authors basically reproduces the self-image and presentation of Mondragon's founder, taking at face value the utterances and language of Arizmendiarieta. This approach lacks a critical view on the self-presentation, thereby failing to explain the obvious disassociation between rhetoric and actual practice. Such an uncritical, affirmative approach results in outright contradictory, inconsistent and confusing statements about the key elements of Mondragon's cooperative philosophy and practice. Let me zoom in on this sentence:

*'The social philosophy behind this approach rested on humanist theology, Marxist social democratic ideas, personalist socialism and the social doctrine of the church'.* This characterization of Arizmendiarieta's 'social philosophy' displays a collection of either vague or nebulous, oxymoronic, or unprecise labels that are not very helpful in clarifying that social philosophy, to put it mildly.

First, the term 'humanist theology' seems way abstract a term to make clear what exactly is meant by the words used. There are numerous different, widely varying meanings, so without at least some specification we don't have any idea which one in this particular case is meant.

Second, the label 'Marxist social democratic ideas' is a curious mix of internal contradictory ideational elements, revealing an astonishing ignorance of these sophisticated historians regarding the history of the social democratic 'cosmovisión' in relation to the Marxian political and philosophical heritage. As if they have never heard of 'Bad Godesberg', or of the Spanish variant of the PSOE's abandoning of its Marxist roots in the 1970s.

Third, the label 'personalist socialism', notably if we link this term to the personalism in the version of Jacques Maritain, widely acknowledged as an important ideological inspiration for Arizmendiarieta, seems misleading if not outright false. Combining the terms 'personalism' and 'socialism' certainly does not stand historical scrutiny if we look at the philosophical worldviews of persons like Maritain or his catholic congenial friends such as Pope Paul VI, or, later, Pope John Paul II. These Popes, notably the Polish John Paul II, would certainly not object to be named 'personalists', but by no means could be suspected of any socialist inclinations. Regarding the position of Maritain, the German historian of ideas, Jan-Werner Müller, writes this: 'Maritain became a fervent Catholic – and *clearly a right-wing one (my emphasis)*. In the 1920s, he moved close to the proto-fascist *Action Française* and was perceived by some as the unofficial philosophical spokesman of this stridently nationalist and royalist movement. In 1926 the movement was condemned by the Vatican; the Pope accused the AF of instrumentalizing Catholicism for political purposes, while actually being atheist. For a while, Maritain tried to mediate between the Vatican and the movement's leader Charles Maurras; then he abandoned the *Action Française* for good. He remained highly critical of the modern world, however, and of

Protestantism and liberalism in particular. As outlined in the theoretical Part One of this monograph, the questionable relationship between Maritain's reductionist vision on human rights and its role in providing a 'moral' dimension to neoliberalism, as practiced in Pinochet's Chile, clarified in the work of Jessica Whyte, sheds light on the problematic relationship between Maritain's thinking, being a major intellectual source of Arizmendi's cooperative thinking and doing, and notably democracy in the sense of governance by the demos. Maritain's beliefs shaped the emerging personalism, and for a while he acted as a mentor to Mounier and the *Esprit* group.<sup>632</sup>

Fourth, and finally, Molina and Miguez rightly identify the social doctrine of the Catholic Church as a fundamental ideological inspiration of Arizmendi's conceptual framework regarding his cooperative 'business model'. Unfortunately, they completely overlook the substantial similarities if not commonalities between the Church's social doctrine, ultimately based on pre-capitalist, Thomist inspired corporatist imaginaries, and the fascist inspired labor (and capital) regulations of the Franco regime, at work during the whole dictatorship of the Caudillo. By ignoring this co-incidence, they are unable to answer the question 'why on earth Mondragon could survive the Franco regime?' This fundamental flaw in their explanatory model can be traced back to adopting a so-called a-political, 'neutral' and 'objective' approach to the history of Mondragon. In stark contrast to these authors' approach, I follow Carl Ratner's critical approach to this so-called 'political neutrality' and his devastating critique of Molina's and Miguez's 'pluralistic misrepresentation', succinctly formulated in the sentence: 'Mondragon was not an eclectic, neutral big tent for all persuasions. *It developed one approach that opposed and excluded others and was deemed superior to others.*' (Ratner, 2013: 94)<sup>633</sup>. In the next and final step backward into the historical origin of the Mondragon cooperative experience, the Ratnerian critique of 'pluralistic misrepresentation' will be elaborated more in detail, thereby focusing on the scholarship regarding the complexities of the differences and similarities between the social doctrine of the Catholic Church and corporatism on the one hand, and the relations between that doctrine and corporatism and fascism on the other hand. I would argue a 'recovery of historical memory' is urgently needed to correct a substantial flaw in most conventional accounts of the genealogy of Mondragon's cooperatives. This flaw is to be found in its silences even more than in its narratives.

### 17.3 The birth of the Mondragon cooperatives: the role of Father José María Arizmendiarieta revisited

In the trajectory of Mondragon's history, studied backward, time and again we have seen the undisputed crucial, decisive role, from its inception up to the present day, of its founding father and inspirer, the catholic priest Arizmendiarieta. To name just one

632 Müller, J.-W., 2011. *Contesting Democracy. Political Ideas in Twentieth Century Europe.* New Haven and London: Yale University Press. P. 136.

633 Ratner, C., 2013. *Cooperation, Community, and Co-Ops in a Global Era.* New York: Springer.

example, in the volume “*La Experiencia cooperativa de Mondragon*”, una síntesis general, published in 2008<sup>634</sup>, 32 years after Arizmendiarieta’s death, the first Part, called ‘Pensamiento’ (regarding the conceptual framework) is dedicated to the thinking of Mondragon’s founding father. So, if we attempt to understand the original pre-conditions of the present problems, tensions and contradictions facing the Mondragon cooperatives, we must concentrate on the role of its founder in creating these conditions. Drawing on the theoretical perspective elaborated in Part One of this monograph, this final moment in the periodization of Mondragon’s history will proceed as follows.

Taking as starting point in this respect Joxe Azurmendi’s conclusion<sup>635</sup> that we have to consider Arizmendiarieta’s cooperative ‘business model’ as ‘a necessary implication’ of his preceding Personalist ‘philosophy of the person’, I will focus on the implications of this conclusion. Different from Azurmendi’s self-acknowledged ‘a-historic’ approach, Arizmendiarieta’s Personalist ‘premise’ will be historically and politically contextualized by scrutinizing his role as Catholic priest in the era of the Franco dictatorship. More concretely, a theoretically informed periodization will be presented of Mondragon’s founder’s activities during his lifetime in Mondragon. The focus is on his conceptual framework and mobilizing strategies in the building-up and developing a particular type of cooperatives. The historical and political context of his activities being largely determined by two, more or less interrelated, institutions, the Spanish State at the time and the (Spanish) Catholic Church, my investigation concentrates on these institutions, complemented by the broad, macro cultural factor called ‘cultural concepts’ guiding the ‘praxis’ (thoughts and practices) of Mondragon’s founder and inspirer, *don* José María Arizmendiarieta. (Ratner, 2012: 9).

#### **17.4 Arizmendiarieta: From soldier to priest: from resistance to obedience**

The very first sentences in section ‘Early historical notes’ of Azurmendi’s authoritative ‘*El Hombre Cooperativo*’, put some crucial issues on the table that would prove to have a decisive importance in Mondragon’s founder’s life-activities as a parish priest in that small Basque town. First, his ‘radical breakpoint’ from soldier in the militia of the PNV (Basque National Party), to being destined to the offices of the Burgos Artillery barracks<sup>636</sup> (that is, part of the Franco rebel army), second, shortly after that, his being ordained (1940) as a Catholic priest by a bishop who happened to be a Franco supporter. While Azurmendi evades these words, I would call this ‘radical break’ a change from ‘resistance’

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634 Larraitz Altuna Gabilondo(coord.), 2008. *La Experiencia Cooperativa de MONDRAGON. Una síntesis general*. Eskoriatza: Mondragon Unibertsitatea, Instituto de Estudios Cooperativos, Lanki.

635 Azurmendi, J., 1984. *El Hombre Cooperativo. Pensamiento de Arizmendiarieta*. Page 23.

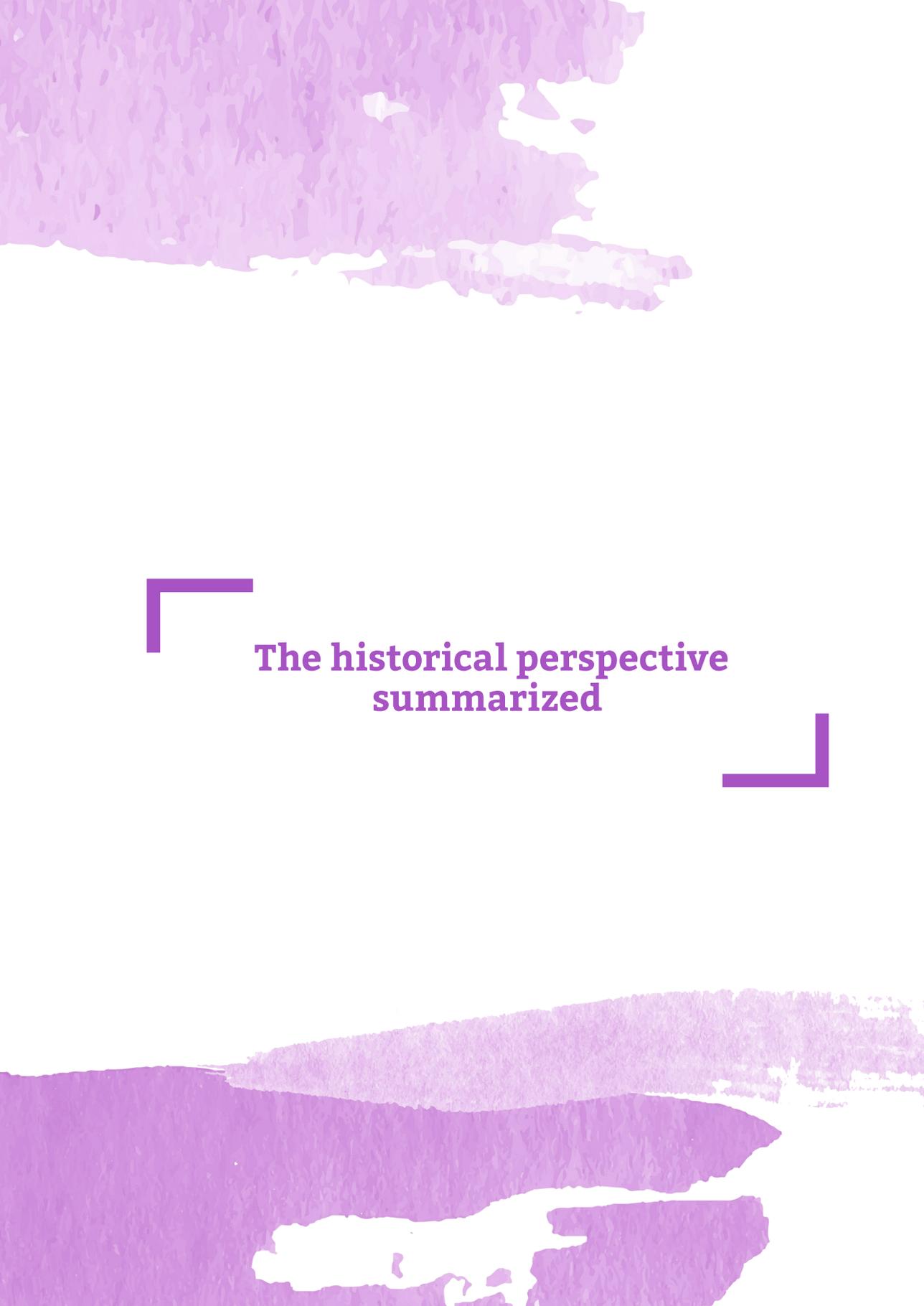
636 “Mobilized from 1936-1939, served in Bilbao and Burgos on both sides”, he would write on his curriculum vitae. (Azurmendi, 1984: 38).

to 'obedience'. In line with most mainstream accounts of this early Mondragon history, this indeed 'radical breakpoint(s)' tend to be downplayed if not completely ignored. Another issue of vital importance in Arizmendiarieta's life-course is mentioned as well: 'politics does not appear to have ever interested him'.

In order to understand the pre-conditions of the present-day problems and contradictions facing the Mondragon cooperatives, the decisive importance of this radical break from resistance to obedience cannot be overstated. This radical transformation from a *resistant* soldier to an *obedient* priest would determine his mobilizing strategy, working as a 'social apostle' within a doctrinal framework fitting in the social doctrine of the Catholic Church and, with some adjustments, in the labor regulations of the Franco regime as well. The compatibility of Mondragon's cooperative ideology with the regime's labor regulations (notably the *Fuero del Trabajo*) reveals one of the 'inconvenient legacies' largely ignored in mainstream narratives. In this monograph I seek to 'recover the historical memory' of this issue.



18



**The historical perspective  
summarized**

Adopting a particular way of historical research, termed 'periodization', different from the conventional chronological approach and following Marx's method of studying history 'backward', this Part Two, outlining the historical perspective of this thesis, starts with presenting empirically focused accounts of Mondragon's present situation. Proceeding from the present towards the original historical pre-conditions that gave rise to that present, paying particular attention to periods of perceived *crisis* and/or 'landmark events or processes' in Mondragon's history. This emphasis on these moments of crisis is justified by the fact that notably those periods of ruptural change reveal disparities between previously dominant cognitive frameworks and the 'realities' they purport to represent.<sup>637</sup> It is not by accident that Joxe Azurmendi's first Chapter of his 'classic' work on Arizmendiarieta's Thought was titled 'A World in Crisis'. Mondragon's founding father's views of the deep crisis in (Basque) Spain at the time (1941) of his becoming curate in Arrasate (Mondragon) had an enormous impact on and significance for his ideas and practices.

Methodologically drawing on 'periodization' and conducting historical research 'backward', this historical Part Two focuses on the particular significance of moments of periods of crisis as explained by political scientist Colin Hay.

Proceeding from more recent to the original periods of crisis, in this historical perspective's periodization the following ruptural changes, or periods of crisis if you like, are presented, and scrutinized:

1. The bankruptcy of Fagor Electrodomésticos (2013)
2. Reflections on the Future of the Cooperative Experience (RFCE), 2005-7
3. The multi-nationalization of Mondragon cooperatives, closely related to Spain's 'transnationalization' (in the 1980s and 90s)
4. Internal conflict: The Ulgor Strike (1974), combined with the Intervention of the Vitoria Diocese (1974)
5. The social and political turbulence in the 'rebellious' 1960s. Radical critique on the Spanish State and Church. *The Manifiesto de los Curios del Pueblo Vasco* (1968)
6. Back to the historical roots. Arizmendiarieta from soldier to priest. From resistance to obedience and collaboration.

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637 Drawing on the work of Colin Hay, *Political Analysis. A Critical Introduction*. 2002, p. 214.

The selected research projects, all conducted by distinguished academics with deep knowledge of the Mondragon cooperatives, are considered being representative of one of the two predominant mainstream approaches, categorized by Iñaki Heras as belonging to 'the broad academic tradition that recognizes and tries to analyze the tensions, lack of consistency, and internal paradoxes' provided many valuable insights.

Briefly summarized, this historical Part Two points out that a number of these accounts did provide convincing empirical evidence to 'degenerative' tendencies in the Mondragon cooperative experience. Less convincing, to use an understatement, appears the adopted theoretical framework to *explain* rather than *describe* Mondragon's present, actual problems and challenges.

Unfortunately, viewed from my critical theoretical perspective, most researchers fail to offer a *political* approach to this *political* subject of the Mondragon cooperatives, thereby basically reproducing Arizmendi's fundamental, original flaw, being his alleged a-political and a-historical viewpoint. These researchers largely remain confined to Mondragon's contradictory, inconsistent 'values and principles' which proved to be unreconcilable from the outset to the present. Mondragon's cooperative ideology never succeeded to overcome its two contradictory 'logics'. This approach, even adopted by 'critical' researchers, in Heras' classification, inhibit to open up for critical scrutiny Mondragon's historical and political economic pre-conditions giving rise to the present challenges. Their echoing Arizmendi's eschewing any contextualizing political and historical analysis results in stagnating theorizing and few innovative ideas to counter the 'morbid atmosphere' in the Arizmendian cooperatives, presently evolved to '*coopitalist* multinationals' (Errasti).

I argue, this theoretically informed periodization of the Mondragon cooperative experience shows substantial flaws in Arizmendi's own ideas and practices, still underlying Mondragon's cooperative ideology today, and similar flaws in much of the mainstream body of literature on this topic. These last-mentioned flaws are, for instance, exemplified by the Weberian-Freudian inspired discourse analysis of three prominent *fundadores*, long-standing cooperators with and adepts of father Arizmendiarieta. Similar flaws can be identified in the referring to 'the *grow-or-die*' dichotomy or the '*there-is-no-alternative*' (*TINA*) of Margaret Thatcher and the likes in the work of Anjel Errasti and others. The mainstream approach to such an important concept like 'globalization', often linked to Mondragon's 'degeneration', conceptualizes globalization as a 'process without a subject'. In my approach, thereby drawing on, among others, Colin Hay's work, this view on globalization should be unpacked and demystified. Unfortunately, the reductionist, narrow conceptualizing of politics and power in mainstream accounts of the Mondragon cooperatives and their degeneration impedes this unpacking and demystifying.

If we take the Basic Cooperative Principles (BCPs) literally as the 'heart and kernel' of the Mondragon cooperative 'movement' and use these as the point of reference to the

empirical descriptions offered in this historical part of the monograph, a number of observations can be made. To enumerate some:

1. A widely shared feeling of '*erosion of the main cooperative principles*' among Mondragon's *socios*, particularly in regard to the principles of workplace democracy.
2. Solid empirical evidence of the decoupling between the organization's policy and notably Mondragon's *rhetoric* and its *day-to-day practices*.
3. The prevailing feeling among notably the younger *socios* that the *degeneration* of the democratic principle is *necessary* for the experience to continue to be viable'.
4. A *mainstream popular managerial discourse* is identified in the majority of the member-cooperatives, a discourse disconnected from the discourse in the Corporation.
5. Evidence is provided that cooperatives can mobilize resources to '*revitalize cooperative values and practices*.
6. This '*regeneration*' may not occur in a consistent, sequential fashion, rather occurring simultaneously with '*degenerative tendencies*', even leading to '*long-lasting, unresolvable situations*.'

Viewed from my theoretical perspective the text produced by the protesting Basque priests (the Manifesto of 1968) and the document of the Social Secretariat of the Vitoria Diocese (1974) come close to the approach outlined in Part One. Indeed, as authoritative, influential mainstream experts like Whyte and Whyte (1999) and Azurmendi (1984) rightly observe, the document of the Vitoria Diocese provided 'the most serious attack, the most complete and best systematized critique from a Leftist position'. Many elements of its harsh critique I consider to be empirically confirmed by the research presented and reviewed in this historical Part Two. For instance, the just enumerated observations could be interpreted as a devastating verdict of the respondents, participating in these investigations. Even the '*fundadores*' had to admit that Arizmendi's ultimate objectives have failed to concretize in reality. (Azkarraga 2006: 869).

To summarize briefly this historical perspective, we can conclude that the presented and reviewed research reports and other documents provide robust empirical evidence for the failure (thus far) of Mondragon's cooperative experiment. Moreover, the historical reconstruction of its genealogy explains why not only the experiment actually failed on its self-acclaimed key 'constantes', being solidarity and democracy. It had to fail because it is founded on fundamentally and *original* flawed ideas and practices. Notably regarding the key elements of 'solidarity' and 'democracy' the Mondragon cooperative ideology fail the test. Its shallow and narrow concepts of these key elements, combined with his

collaborative strategy regarding the Franco regime, inhibit to ever reach Arizmendi's ultimate objectives. He never provided an elaborated theoretically informed cooperative program and consequently eschewed any political and historical analysis. Instead, he navigated skillfully within the 'uneasy' political and economic environment of Basque Spain at the time.



19



# Conclusions and discussion



This monograph attempts to theorize the Mondragon cooperative experience beyond the so called ‘degeneration thesis’ by scrutinizing some mainstream accounts and presenting an elaborated alternative, competing explanation. In terms of Norman Fairclough<sup>638</sup>, it offers an ‘explanatory critique’ of the conventional approach to the Mondragon cooperatives and their alleged ‘degeneration’. The alternative explanatory framework is called ‘the original sin thesis’. This thesis, coined by the American cultural psychologist Carl Ratner had been presented and discussed in a mini symposium, a workshop if you like, at Radboud University Nijmegen, March 31, 2017, organized by the author of this monograph, an external PhD student, and facilitated by the Department of Geography. Stimulated and inspired by my supervisors Huib Ernste and Olivier Kramsch as well as the contributions of the participants in the mini symposium, I have been working on the theoretical and empirical substantiating of the propositions I presented. Departing from Ratner’s macro cultural psychological approach, a ‘political philosophy of mind’, his Marxian-Vygotskian theoretical-philosophical and methodological approach has been extended, deepened, and refined in order to be applied to the ‘Mondragon case’. This elaboration has resulted in a synthesis of distinct, but theoretical-philosophical affiliated approaches into an encompassing conceptual framework, outlined in Part One, the theoretical perspective, of this monograph. In my view the fundamental, eye striking contrasting element of this theoretical perspective compared to the mainstream, conventional accounts constitute its offering a *political* way of analyzing the Mondragon cooperative experience, insisting that like its subject matter, the analysis of the social and political processes determining that experience, is itself inherently, irredeemably and essentially political<sup>639</sup>. The significance of the contrast between this approach and Mondragon’s own a-political, a-historical narrative, as well as the similar approach of most of the analysts of the Mondragon co-ops, can hardly be overestimated.

Part Two, the historical perspective, internally related to the theoretical perspective of Part One, so only analytically separable from that perspective, adopts the Marxian inspired way of historical research called ‘periodization’<sup>640</sup> Adopting this methodology, in fact studying history ‘backward’<sup>641</sup> the historical perspective presents a range of research projects, addressing specifically ‘moments of crisis’, landmark events and processes, ruptural changes in Mondragon’s genealogy. These accounts, historically descending from the present to the origins of ‘Mondragon’, provide solid empirical evidence in regard to degenerative tendencies in the Mondragon cooperative movement. My critical scrutiny

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638 Fairclough, N., 2015 (third edition). *Language and Power*. London and New York: Routledge, p. 12.

639 Hay, C., 2002. *Political Analysis. A Critical Introduction*. Palgrave, p. 88.

640 Jessop, B., 2008. *State Power. A Strategic-Relational Approach*. Cambridge, UK & Malden, MA, USA: Polity Press, p. 88-89.

641 Ollman, B., 2003. *Dance of the Dialectic. Steps in Marx’s Method*. Urbana, Chicago, and Springfield: University of Illinois Press.

of the selected texts, drawing on the theoretical perspective as outlined in Part One, brings me to the following conclusions.

First, a number of scholarly accounts provide convincing empirical evidence for seriously degenerative tendencies, even exposing a ‘moribund feeling’ in Azkarraga’s analysis of ‘*fundadores*’ discourse (2006), or outright devastating feelings about a cooperative experiment doomed to fail (e.g., Heras: 2014).

Second, those authors, like, for instance, Anjel Errasti and Ignacio Bretos, while pointing at ‘regenerative tendencies’ in the sense of a possible return to the ‘good’ original ideas and practices of ‘Mondragon’, seem to overlook the *original* and *fundamental* flaws, notably its contradictory, unreconcilable basic values and principles.

Third, in so far as regenerative ‘counter tendencies’ are identified, these may occur simultaneously with degenerative tendencies, even leading to ‘unresolvable situations’.

Fourth, the historical perspective reveals both strengths and weaknesses of the mainstream approach, mainly due to their theoretical, that is ontological, epistemological, methodological as well as normative line of thinking. Basically, following Arizmendiarieta’s own so called ‘a-political’ and ‘a-historical’ stance these accounts are good at the descriptive level, but largely fail to move from the realm of mere description to that of explanation.

Fifth, the harsh critique, formulated by the Basque priests, occupying a Seminary near to Bilbao, in their ‘Manifesto of the Priests of the Basque People’ (1968), completely ignored by their colleague-priest Arizmendiarieta, comes close to the approach of this monograph. The same goes for the intervention of the Social Secretariat of the Vitoria Diocese, formulated in their document (1974) pointing out a harsh critique of the cooperative movement in general at the time, Mondragon’s Arizmendian cooperatives included. In my view, these criticisms regarding the role of the Spanish State and Church, compared to the ‘obedient’ position taken by father Arizmendiarieta reveal the limited empowering and emancipating capacities, to say the least, of his cooperative ‘movement’.

Sixth, the a-political, a-historical, and so called objective and neutral approach of much of the mainstream accounts regarding the Mondragon cooperative experience, echoing Arizmendiarieta’s own ideas and practices, impedes the ‘recovery of historical memory’, urgently needed in Spain as well as in Mondragon’s home ground, the Basque Country, in order to come to terms to its painful and violent history, still reverberating in our days. This aspect is dearly missed in conventional accounts.

## Discussion

This monograph attempts to contribute to the ongoing debate regarding the empowering and emancipatory potentialities of Mondragon-style cooperatives. By broadening and deepening my scope I have tried to go beyond the ‘degeneration thesis’ perceived as too narrow and shallow a theoretical context eventually to fruitfully rebuild genuine cooperative co-ops. Arizmendi’s original, ultimate objectives, that is, creating a new person in a new society, striving for a world based on solidarity and democracy, seem, now and then, unfeasible, merely phantasies. In order not to fall prey to the co-founders’ ‘moribund mood’ or the disinterested and discouraged attitude to be found by not a few, notably younger workers in Mondragon co-ops, I would argue we have to think and work hard to rebuild a modernized version of co-ops, adapted to the present world, a far cry from Mondragon’s time of origin. One of the things I have learned in my search for ‘another cooperative world’ was, next to the urgent need to recover Mondragon’s historical memory, the need to broaden and deepen the theoretical underpinning of such a new, modernized cooperative world. Anyone who seeks to change the world for the better could best start with a sharp, well-thought through analysis of that world in need of change. I argue Mondragon’s underlying social analysis, its ‘problematization’ of the Basque and Spanish societies at the time of its inception appeared to be deeply flawed. During my search I got more and more convinced that Father Arizmendiarieta’s version of a Personalist reading of the Church’s social ‘doctrine’ has to be abandoned as the ideological foundation of the Mondragon ‘style’ cooperatives. Now, 66 years after his death, it has become crystal clear that Arizmendi’s erstwhile ideas and practices do not and cannot motivate any longer an urgently needed rethought and restyled cooperative movement. In my view, Arizmendi’s ideology should be abandoned and replaced by a radical alternative as indicated by people like for instance Carl Ratner, Ignacio Martín-Baró, or the ideas and proposals of the Basque priests in their Manifesto, and the critique outlined in the document of the Social Secretariat of the Vitoria Diocese. With hindsight, I perceive Mondragon’s not taking serious these and other critical voices, again, then and now, as missed opportunities to rethink their ideological roots. Maybe we can point at this rather self-centered, theoretically insulated position as a reason for a stagnating theory-building in the Mondragon community. I hope I could have made a modest contribution to the rethinking of the significance of cooperatives as a real and radical alternative to the presently hegemonic, capitalist form of labor organizations.



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## English Summary

This monograph attempts to contribute to the old and ongoing debate regarding the viability of worker cooperatives like 'Mondragon' as an alternative to the dominant capitalist business model. The received wisdom of worker cooperatives being able to maintain *democratic* forms of management has been especially pessimistic. Many researchers think sooner or later these cooperatives will be forced to abandon their democratic-economic ideals.. They will have to adopt similar organizational forms and priorities like their capitalist competitors in order to survive. In other words, they will 'degenerate'. Just like capitalist enterprises these cooperatives will be dominated by a managerial elite taking the most important decisions, thereby undermining the decision-making power of notably the rank-and-file workers. The original ideal of workers-self-governance will vanish. The technical term for this view is the so called 'degeneration thesis'.

Critique of and an alternative to the 'degeneration thesis'.

In this investigation of the particular case of the 'Mondragon' co-ops, worldwide known and praised for being a successful, internationally operating network of co-ops, I have developed a theoretically and historically underpinned critique of the 'degeneration thesis'. Although this thesis can be viewed as being important and providing valuable insights, it is nevertheless fundamentally flawed as explanatory model for the present problems facing the Mondragon co-ops. This model basically takes for granted the cooperative vision and practices of Mondragon's founding father, the Basque catholic priest Don José María Arizmendiarieta. So these vision and practices are hardly or not problematized or politically and historically contextualized in the period ranging from its origin to the mid-seventies. I argue this approach being fundamentally flawed, so has to be corrected. After all, the first Mondragon co-op originated in the Franco era. Obviously this kind of co-ops fitted in the social and political order of an undemocratic, dictatorial regime not particularly focused on solidarity as a basic value, to say the least. This context sharply contradicts the self-declared key principles of the Mondragon co-ops: solidarity and (economic) democracy. The 'degeneration thesis' does not provide an adequate answer to this evident contradiction.

The conventional analyses of the Mondragon experiment claim, just like Arizmendiarieta, to offer an apolitical, neutral and objective approach. I challenge this proposition and suggest to follow a different path in order to grasp the present problems facing Mondragon by replacing the 'degeneration thesis' by the 'original sin thesis', a term coined by the American cultural psychologist Carl Ratner. By introducing this term he ironically referred to the religious background of Mondragon's founding father, the catholic priest Don José María Arizmendiarieta, the 'cooperative man', thereby focusing on the flaws, contradictions in his thinking and doing, his praxis. Put in different terms, this 'original

sin thesis' provides an alternative, that is, an ideology-critical approach to Mondragon's cooperative experiment.

This monograph presents a theoretically underpinned historical perspective on the development of the Mondragon co-ops, in the light of the 'degeneration thesis'. The volume encompasses two Parts: Part One – The Theoretical Perspective, Part Two – The Historical Perspective.

### **Part One – The Theoretical Perspective**

The philosophical-theoretical foundation of this monograph can be found in the work of the American cultural psychologist Carl Ratner. In order to introduce his approach, in chapter 2 I will extensively cite texts outlining his 'macro cultural psychology' as well as his theory of 'cooperativism'. But my own perspective cannot be limited to Ratner's. I have attempted to extend and refine his 'political philosophy of mind' by constructing a synergy with the work of a number of different thinkers.

So, in chapter 3, the foundations of a dialectic theory of modern labor organizations as outlined by the German scholar Ronald Hartz are presented as an important heuristic device for my theoretical perspective and, in chapter 4, I address the work of notably Bob Jessop and Norman Fairclough regarding theorizing the State, respectively critical discourse analysis. Particularly Jessop's theorizing work on the State, in this monograph viewed as a macro cultural factor, and his 'strategic-relational approach' (SRA) constitutes an important element of my extending and refining of Ratner's macro cultural psychological perspective. Jessop's work combined with the approach of Colin Hay in regard to the importance of ideas in the debate on structure and agency, and Fairclough's contributions to the 'discursive turn' in the SRA, is key to the perspective of this monograph.

In chapter 5 the ideology critical approach of the Mondragon cooperative experience has been outlined. This approach heavily draws on the work of the German scholar Jan Rehmann, in turn building on the German research program called 'Projekt Ideologietheorie' (PIT). Finally, this chapter addresses the French scholar and priest Marie-Dominique Chenu's criticism of the 'ideological function' of the Catholic's Church so called social doctrine.

Chapter 6 addresses the work of a group of researchers, often labeled 'the Amsterdam School (or Project'. This research offered me a valuable theoretical and methodological toolkit for my analysis of the Mondragon experience. Notably the dissertation of the Amsterdam based scholar Otto Holman addressing the processes of Spanish Europeanization and modernization from a Gramscian inspired, 'Amsterdam School' theoretical perspective proved to be invaluable. In chapter 13 of Part Two (the Historical

## Appendices

Perspective) the ‘internationalizing strategy’ of the Mondragon co-ops will be placed in the theoretical and historical context of Holman’s ‘trans nationalization’ processes as analyzed in Holman’s doctoral thesis.

In regard to an important element in Holman’s analysis of Spain, chapter 7 connects to the preceding chapter. That is, it addresses the particular methodology of historical research, according to Jessop one of the ‘specific characteristics’ of the Amsterdam School in global political economy. In this chapter 7 the relations between theory and history will be outlined in brief terms. That means, it presents methodological considerations regarding ‘periodization’ versus ‘chronology’. Different from the conventional chronological approach in this monograph a theoretically underpinned periodization has been adopted. This methodology takes as starting point the present situation in order to investigate the conditions which resulted in that situation, being a way of ‘studying history backward’. According to the American political scientist Bertell Ollman this particular way of historical research is a neglected characteristic of Marx’s materialistic conception of history, based on the Hegelian philosophy of ‘internal relations’, being the often ignored foundation of the dialectical method.

Chapter 8 closes Part One, the Theoretical Perspective, with a brief summary.

### **Part Two – The Historical Perspective**

Connecting with the preceding chapter 7, and focusing on studying history backward, Part Two, in chapter 10, starts with the *present* challenges to the ‘coopitalist’ (Errasti) Mondragon multinational firms in practice.

In order to obtain a representative picture of the way present challenges (that is, problems, tensions, paradoxes, contradictions) to the Mondragon co-ops have been assessed and evaluated, internally (within the Mondragon organizations) as well as externally (notably by expert researchers), I selected a number of studies, research projects, all carried out by competent and well informed researchers addressing relevant issues regarding this monograph. For instance, the process of multi-nationalization, reflections on the future of Mondragon or the bankruptcy of Mondragon’s flagship Fagor Electrodomésticos and of course the ongoing discussions about the degeneration (or not) of Arizmendiarieta’s cooperative experiment. Within chapter 10, section 10.6 constitutes a key element. This section extensively discusses the discourse of three influential and prominent pupils of Mondragon’s founding father regarding Mondragon’s cooperative ideas and practices during the co-ops’ first 50 years of their existence. A critical review of Azkarraga’s discourse analysis, based on my theoretical perspective, concludes this section. 14

Whilst chapters 11 (understanding Mondragon’s globalization process), 12 (the multi-nationalization of the Mondragon co-ops) and 13 (periodizing the ‘multi-nationalization

strategy’) focus on the phenomenon of globalization in relation to these co-ops, the next three chapters (14,15,16) focus on conflicts and antagonistic visions and practices regarding these co-ops. Chapter 14 addresses the big internal conflict being the *Ulgor* strike in 1974, chapter 15 focuses on the intervention (in 1974) of the Vitoria diocese in conflicts concerning the cooperative movement in Spain at the time, and chapter 16 compares two strikingly different events, shedding contrasting lights on the assessment of Arizmendiarieta’s cooperative activities and achievements. On the one hand Mondragon’s founding father received the Gold Medal of Labor from the Franco regime for all his activities concerning labor relations and conditions, on the other hand, at about the same time, a group of protesting Basque priests wrote a very critical manifesto about the in their view disastrous role and behavior of the Spanish State and Church at the time.

Taking the last step in my ‘backward history’, chapter 17 harks back to the origin of the Mondragon experience, in the 1940s and ‘50s in the Spanish Basque Country. I take as starting point an article published in 2008 authored by the historians Molina and Miguez, titled ‘*The origins of Mondragon: Catholic co-operativism and social movement in a Basque valley (1941-’59)*’, in section 17.2 pointing out some fundamental flaws in the account of these historians. This chapter concludes with a section that briefly revisits the role of Arizmendiarieta in Mondragon’s origin and consolidation during the Franco era and in the light of my theoretical perspective and periodization of its history. The last section of Part Two, titled ‘*Arizmendiarieta: from soldier to priest, from resistance to obedience*’ points at a remarkable and unsettling change in his position vis-à-vis the Franco regime that just had won the Civil War and allied with Mussolini’s fascists and Hitler’s Nazis. At that time he was ordained as a parish priest and started his activities in the parish of Arrasate (Mondragon). This turn from being a Basque soldier, *resisting* the Franco regime, to a priest, *obedient* to that same, at least partly fascist inspired, regime and a largely collaborative catholic hierarchy, happened just a very short time before the birth of ‘his’ cooperative model. This inconvenient history, almost completely ignored in the mainstream narrative, has to be recovered. My monograph attempts to contribute to that recovery.

Part Two, the Historical Perspective concludes with a brief summary.

## **Chapter 18 Conclusions and discussion**

The in Part One outlined encompassing theoretical perspective strongly differs from the conventional approach. The most striking, fundamental difference regards providing a *political* analysis and explanation of the Mondragon cooperative experience. Following scholars like Carl Ratner and Colin Hay I insist that an analysis of the for this experience decisive social and political processes inherently must be a political analysis. The importance of this sharp contrast to the conventional, mainstream analyses can hardly be overstated, that is my conclusion from the just mentioned theoretical perspective.

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The analysis of the selected texts and research findings in the Historical Perspective lead me to the following six conclusions, briefly summarized:

1. A number of researchers provide convincing empirical evidence of serious 'signs of degeneration', even the existence of outright devastating feelings of a cooperative experiment doomed to fail.
2. Researchers like Anjel Errasti and Ignacio Bretos, who point at 'regeneration tendencies' meaning a possible return to the original 'good' ideas and practices, in my view tend to overlook the original and fundamental flaws of 'Mondragon'.
3. These researchers acknowledge that processes of degeneration and regeneration can be identified simultaneously in Mondragon co-ops, in some cases resulting in unsolvable situations.
4. The historical perspective of this monograph exposes strong and weak points in the mainstream approach, especially as a result of the adopted theoretical (ontological, epistemological, methodological and normative) line of thinking. In short: strong in the description of events and processes, weak in the move from description to the domain of explanation.
5. My own perspective on the genealogy of 'Mondragon' is related to the vision of the Manifesto of Basque priests (1968) and the intervention of the Social Secretariat of the Vitoria diocese (1974). The very critical assessment of the Mondragon co-ops, notably in the context of the role of the Spanish State and Church at that time, an assessment completely ignored by Arizmendiarieta, brings me to the conclusion of the very limited emancipatory potential of this form of cooperation(s).
6. The usual apolitical, ahistorical, so called objective and neutral approach to the 'successful' Mondragon co-ops reflects Arizmendiarieta's own ideas and practices. I conclude this approach impedes a 'recovery of historical memory' in Spain as well as in the Basque Country. A missed opportunity to cope with the painful and violent Spanish history.

## Discussion

This monograph attempts to contribute to the debate on the emancipatory potential of the Mondragon co-ops. By broadening and deepening my theoretical perspective I try to reach beyond the 'degeneration thesis' regarding this to be a narrow and shallow one, with limited explanatory force.

The original, ultimate, main goals of Mondragon's founder, a new person in a new social order, providing a radical alternative to the hegemonic capitalist system proved to be, then and now, not viable. Hardly more than phantasies. In order not to fall prey to a moribund mood or far reaching indifference about the original ideals, I propose to work hard to build a renewed vision and practice of cooperative thinking and acting. Departing from the idea that 'a different cooperative world is possible' I would advocate for a profound, incisive analysis of present political, economic, social and cultural problems, at different geo-spatial and temporal scales (the Basque Country, Spain, Europe, global). Starting point of this analysis should be the required 'recovery of the historical memory' of the Basque Country and Spain.

My investigation of the degeneration (or not) of 'Mondragon' brought me to the insight that Arizmendiarieta's Personalist cooperative ideology might better be abandoned in order to open avenues to possibly develop a real radical alternative to the present dominant capitalist system.

The originally as a radical alternative presented cooperative ideology requires in my view a radical, system critical theoretical underpinning, drawing and building on earlier critical voices from the Basque Country and elsewhere. Unfortunately, these critical voices are largely ignored or out of hand rejected. Taking up these and similar voices could contribute to a revival of a stagnating theory building regarding cooperatives in general and the Mondragon co-ops in particular.

## Nederlandse samenvatting

Deze monografie probeert een bijdrage te leveren aan het oude en voortgaande debat over de levensvatbaarheid van met name productiecoöperaties zoals 'Mondragon' als alternatief voor het dominante kapitalistische model. De gangbare opvatting over de levensvatbaarheid van met name dit soort coöperaties als *democratisch-economisch* alternatief voor dat overheersende model is uitgesproken pessimistisch. Veel onderzoekers van dit fenomeen achten de kans groot dat deze coöperaties vroeg of laat hun democratisch-economische idealen zullen (moeten) verliezen. De vakterm voor deze opvatting is de zogeheten 'degeneratie-these'. De voorstanders van deze stelling beweren dat produktiecoöperaties dezelfde organisatievorm en prioriteiten als de kapitalistische bedrijven zullen moeten adopteren om te overleven. Anders gezegd, zij zullen 'degenereren'. Net als bij kapitalistische bedrijven zullen deze coöperaties worden gedomineerd door een elite van managers die de belangrijkste beslissingen neemt en daarbij de bepalende invloed van de werkers op de werkvloer ondermijnt. Daarmee verdwijnt het oorspronkelijke ideaal van werkers-zelfbestuur achter de horizon.

Kritiek op en een alternatief voor de 'degeneratie-these'.

In deze studie naar het specifieke geval van de zogeheten 'Mondragon' coöperaties, wereldwijd bekend als een succesvol, internationaal opererend netwerk van coöperaties, ontwikkel ik een theoretisch en historisch onderbouwde kritiek op de 'degeneratie-these'.

Deze stelling is weliswaar belangrijk en levert waardevolle inzichten op, maar schiet fundamenteel tekort als verklaringsmodel voor de hedendaagse problemen waarmee de Mondragon coöperaties geconfronteerd worden. Dat model beschouwt de coöperatieve visie en praktijk van de grondlegger, de Baskische priester Arizmendiarieta, teveel als een historisch gegeven en wordt onvoldoende geïnterpreteerd. De visie en praktijk van Mondragon's grondlegger worden nauwelijks of niet in de historische en politieke context geplaatst van de eerste decennia van dit 'sociaal experiment'. Ik zie dat als een fundamentele tekortkoming die een correctie verdient. Immers, de eerste Mondragon coöperaties ontstonden in de Franco periode. Zij pasten kennelijk in het politiek-economische kader van een ondemocratisch, dictatoriaal regime met weinig oog voor solidariteit als basiswaarde, zacht uitgedrukt. Deze context staat in scherp contrast met de zelfverklaarde basis principes van de Mondragon coöperaties: solidariteit en (economische) democratie. De 'degeneratie-these' biedt geen adequaat antwoord op deze evidente tegenstrijdigheid.

De gebruikelijke analyses van het 'Mondragon experiment' pretenderen, net als Arizmendiarieta, een apolitieke, neutrale en objectieve benadering te bieden. Ik bestrijd dat. Als alternatief en in mijn visie beter verklaringsmodel stel ik voor om de '*degeneratie-these*' te vervangen door de zogeheten '*erfzonde-these*', een term gemunt door de

Amerikaanse cultureel psycholoog Carl Ratner. Deze term, bedoeld als een ironische verwijzing naar de religieuze achtergrond van Mondragon's *founding father*, de katholieke priester don José María Arizmendiarieta, richt zich met name op de tekorten en tegenstrijdigheden in denken en doen, de praxis, van deze 'coöperatieve man'. Met andere woorden, de 'erfzonde-these' biedt als alternatief een ideologiekritische benadering van Mondragon's coöperatieve experiment.

Deze monografie presenteert een theoretisch onderbouwd historisch perspectief op de ontwikkeling van de Mondragon coöperaties, in het licht van de 'degeneratie-these'. Het boek bevat twee delen: Deel Een: het theoretisch perspectief, Deel Twee: het historisch perspectief.

### **Deel Een: Het theoretisch perspectief.**

Het filosofisch-theoretisch fundament van deze monografie vormt het werk van de Amerikaanse cultureel psycholoog Carl Ratner. In hoofdstuk 2 wordt dan ook uitgebreid gerefereerd aan zijn benadering van zowel de 'macro culturele psychologie' als zijn theorie over 'coöperativisme'. Maar ik beperk me niet tot zijn werk. In mijn theoretisch perspectief probeer ik zijn 'politieke visie op de menselijke geest' uit te breiden en te verfijnen met het werk van andere denkers.

Zo betrek ik in hoofdstuk 3 de grondslagen van een dialectische theorie over moderne werkorganisaties van de Duitse geleerde Ronald Hartz in mijn perspectief, en besteed ik in hoofdstuk 4 aandacht aan het werk van met name Bob Jessop en Norman Fairclough met betrekking tot theorievorming over de Staat, respectievelijk kritische discours analyse. Met name Jessop's theorievorming over de Staat, in deze monografie gezien als cruciale macro culturele factor, en zijn strategisch-relationale benadering (SRA) vormen een belangrijk element in mijn verbreding en verfijning van Ratner's macro cultureel psychologisch perspectief. Vooral ook gekoppeld aan het werk van Colin Hay over de plaats van ideeën in het debat over structuur en 'agency' en het werk van Fairclough met betrekking tot de discursieve wending in de SRA. In dit hoofdstuk komt ook het belang van Gramsci als pionier van culturele politieke economie op de voorgrond.

In hoofdstuk 5 wordt mijn ideologiekritische benadering van de 'Mondragon ervaring' besproken. Daarbij hoofdzakelijk steunend op het werk van de Duitse geleerde Jan Rehmann, die op zijn beurt voortbouwt op het Duitse 'Projekt Ideologietheorie' (PIT). Tot slot van dit hoofdstuk refereer ik aan het werk van de Franse geleerde en priester Marie-Dominique Chenu die de 'ideologische functie' van de sociale doctrine van de katholieke kerk bekritiseert.

Hoofdstuk 6 behandelt het werk van een groep onderzoekers, vaak aangeduid als 'De Amsterdamse School' (of Project), die voor mijn onderzoek naar de Mondragon

coöperaties een zeer nuttige theoretische en methodologische gereedschapskist heeft ontwikkeld. Daarbij heb ik vooral dankbaar gebruik gemaakt van de dissertatie van Otto Holman over het proces van de Spaanse europeanisering en modernisering, gezien in het Gramsciaanse perspectief van die zogeheten ‘Amsterdamse School’. In hoofdstuk 13 van Deel Twee (Het Historisch Perspectief) plaats ik de ‘internationaliseringsstrategie’ van de Mondragon coöperaties in de theoretische en historische context van de ‘transnationalisering’ van Spanje als beschreven door Holman in zijn dissertatie.

Hoofdstuk 7 sluit met betrekking tot een belangrijk element van het werk van Otto Holman over Spanje aan op het vorige. Dat betreft namelijk methodologische overwegingen aangaande ‘periodisering’ als manier van historisch onderzoek, volgens Jessop een van de ‘specifieke kenmerken van de Amsterdamse School in globale politieke economie’. In dit hoofdstuk 7 wordt kort ingegaan op de verhouding tussen theorie en geschiedenis. Dat wil zeggen, methodologische beschouwingen over periodisering versus chronologie. In contrast tot de gebruikelijke chronologische benadering volg ik in deze monografie de aanpak van een theoretisch onderbouwde periodisering. Bij deze benadering neem ik als uitgangspunt het heden om van daar uit de condities te onderzoeken die tot de huidige situatie geleid hebben. Je kunt dit een ‘achterwaartse’ manier van geschiedschrijving noemen. Dit is volgens Bertell Ollman een ‘veronachtzaamd kenmerk van Marx zijn materialistische conceptie van geschiedenis’, gebaseerd op de Hegeliaanse filosofie van de ‘interne relaties’, de vaak genegeerde grondslag van de dialectische methode.

Hoofdstuk 8 sluit Deel Een, het Theoretisch Perspectief, af met een korte samenvatting daarvan.

### **Deel Twee - Het Historisch Perspectief**

Aansluitend op met name hoofdstuk 7 en gericht op het ‘achterwaarts’ bestuderen van de geschiedenis, start dit Deel Twee met de *huidige* uitdagingen van de ‘coöppitalistische’ Mondragon multinationale bedrijven in de praktijk, in hoofdstuk 10.

Om een representatief beeld te krijgen van de wijze waarop de huidige danwel vrij recente uitdagingen (problemen, spanningen, paradoxen, tegenstrijdigheden) beoordeeld worden, zowel intern (binnen de Mondragon organisaties) als extern (met name onderzoekers) heb ik een keuze gemaakt uit de grote hoeveelheid beschikbare (vak)literatuur over deze coöperaties. De gekozen studies, allemaal van zeer competente en goed ingevoerde onderzoekers, behandelen uiteraard voor deze monografie relevante items. Bijvoorbeeld het proces van multi-nationalisering, reflecties over de toekomst van Mondragon of het faillissement van Mondragon’s vlaggenschip *Fagor Electrodomésticos* en natuurlijk de voortgaande discussies over het al of niet degenereren van de Mondragon coöperaties. Binnen hoofdstuk 10 vormt paragraaf 10.6 een sleutelement. Daarin wordt uitgebreid ingegaan op de analyse van het discours van drie invloedrijke pupillen van grondlegger

Arizmendiarieta over Mondragon's coöperatieve ideeën en praktijk gedurende de eerste 50 jaar van haar bestaan. Deze analyse wordt kritisch geëvalueerd vanuit het theoretisch perspectief van mijn monografie.

Waar de hoofdstukken 11 (het begrijpen van Mondragon's globaliseringsproces: het creëren van lokale banen via multi-localisering), 12 (de multi-nationalisering van de Mondragon coöperaties: een dramatische transformatie?) en 13 (periodisering van de 'multi-nationaliseringsstrategie': het theoretiseren van de historie van een 'dramatisch transformatieproces') zich richten op het fenomeen globalisering in relatie tot de Mondragon coöperaties, focussen de hoofdstukken 14, 15 en 16 zich op conflicten en antagonistische visies en praktijken met betrekking tot deze coöperaties. Zo bespreekt hoofdstuk 14 het grote interne conflict betreffende de staking binnen *Ulgor* in 1974, richt hoofdstuk 15 zich op de interventie van het bisdom Vitoria in de conflicten rond de coöperatieve beweging op 16 november 1974, en vergelijkt hoofdstuk 16 twee sprekende en tegelijkertijd scherp contrasterende gebeurtenissen rond de waardering van Arizmendi's coöperatieve activiteiten en prestaties. Bijna tegelijkertijd, dat wil zeggen rond 1968, zien we enerzijds het verlenen van een hoge onderscheiding (een gouden medaille) van het Franco regime aan pater Arizmendiarieta voor al zijn activiteiten op het gebied van arbeid, anderzijds het verschijnen van een kritisch manifest over de rol van de Spaanse Staat en katholieke Kerk, opgesteld door een groep Baskische priesters. De hoofdstukken 14, 15 en 16 illustreren duidelijk de sterk uiteenlopende visies op met name de Mondragon coöperaties alsmede de ontwijkende, vage opstelling van stichter Arizmendiarieta in de felle debatten over die visies.

In hoofdstuk 17, als laatste stap naar de historische wortels van Mondragon's coöperatieve ervaring ga ik terug naar het ontstaan ervan, in de jaren '40 en '50 in Spaans Baskenland. Ik neem als startpunt een artikel uit 2008 van de historici Molina en Miguez, getiteld '*The origins of Mondragon: Catholic co-operativism and social movement in a Basque valley (1941-59)*' en wijs in paragraaf 17.2 op fundamentele tekortkomingen in het verhaal van deze historici. Dit hoofdstuk wordt afgesloten met een paragraaf over de geboorte van de Mondragon coöperaties waarin de rol van grondlegger don José María Arizmendiarieta opnieuw bekeken wordt en een paragraaf over de even opmerkelijke als veelzeggende rolverandering van Baskische soldaat naar katholieke priester, ofwel van verzet naar gehoorzaamheid, vlak voor de geboorte van 'zijn' coöperatief model.

Deel Twee, het Historisch Perspectief, wordt afgesloten met een samenvatting.

## **Hoofdstuk 18 Conclusies en discussie.**

Het in Deel Een ontwikkelde omvattende theoretisch perspectief wijkt sterk af van de gangbare benadering. Het meest in het oog springende, fundamentele verschil van dit theoretisch perspectief met de gangbare benadering betreft het bieden van een

## Appendices

*politieke* analyse en verklaring voor Mondragon's coöperatieve ervaring. In navolging van geleerden als Carl Ratner en Colin Hay houd ik vol dat een analyse van de voor deze ervaring bepalende sociale en politieke processen onlosmakelijk, onverbeterlijk en essentieel een politieke analyse moet zijn. Ik concludeer uit mijn theoretisch perspectief als geschetst in Deel Een dat de betekenis van dit scherpe contrast met de gangbare analyses nauwelijks overschat kan worden.

De analyse van de geselecteerde teksten en onderzoeken in het Historisch Perspectief van Deel Twee leidt tot zes conclusies, kort samengevat:

1. Een aantal onderzoeken presenteert overtuigend empirisch bewijs voor ernstige 'degeneratieverschijnselen' en zelfs het bestaan van regelrecht vernietigende gevoelens over dit coöperatief experiment dat is gedoemd te falen.
2. Onderzoekers als Anjel Errasti en Ignacio Bretos die wijzen op 'regeneratietendenzen' in de zin van een mogelijke terugkeer naar de oorspronkelijke, 'goede' ideeën en praktijken, zien in mijn visie de originele en fundamentele gebreken van 'Mondragon' over het hoofd.
3. Deze onderzoekers onderkennen dat het simultaan optreden van degeneratie en regeneratie binnen 'Mondragon' in sommige gevallen leidt tot 'onoplosbare situaties'.
4. Het historisch perspectief van deze monografie toont zowel sterke als zwakke punten in de gangbare benadering, vooral als gevolg van de theoretische (ontologische, epistemologische, methodologisch en normatieve) denklijn die wordt gevolgd. Kort gezegd: sterk in de beschrijving van gebeurtenissen en processen, zwak in de beweging van die beschrijving naar het domein van de verklaring.
5. Mijn eigen perspectief op de genealogie van 'Mondragon' is verwant aan de visie als verwoord in het Manifest van Baskische priesters (1968) en de interventie van het Sociaal Secretariaat van het bisdom Vitoria (1974). Uit deze kritische beoordeling van de Mondragon coöperaties, met name in de context van de toenmalige rol van de Spaanse Staat en Kerk, overigens volledig genegeerd door Arizmendiarieta, concludeer ik het (zeer) beperkte emanciperende potentieel van deze vorm van coöperaties.
6. De gangbare apolitieke, ahistorische, zogeheten objectieve en neutrale benadering van het 'succesvolle' Mondragon weerspiegelt Arizmendiarieta's eigen ideeën en praktijken. Ik concludeer dat deze benadering een 'herstel van het historisch geheugen' in zowel Spanje als Spaans Baskenland in de weg staat. Een gemiste kans, want een urgent vereiste om in het reine te komen met de pijnlijke en gewelddadige Spaanse historie.

## Discussie

Deze monografie probeert een bijdrage te leveren aan het debat over de emanciperende potenties van de 'Mondragon' coöperaties. Door mijn theoretische visie te verbreden en verdiepen probeer ik verder te reiken dan de 'degeneratiethese' die ik als te beperkt en oppervlakkig zie. De oorspronkelijke, uiteindelijke hoofddoelen van Mondragon's grondlegger, het creëren van een nieuwe mens in een nieuwe maatschappij, een radicaal alternatief voor het heersende kapitalistische systeem, bleken toen en nu onhaalbaar, niet meer dan fantasieën. Om niet te vervallen in een grafstemming of ver gaande onverschilligheid met betrekking tot de oorspronkelijke idealen, stel ik voor om hard te werken aan het opbouwen van een hernieuwde visie op en praktijk van coöperatief handelen. Uitgaand van de visie dat 'een andere coöperatieve wereld mogelijk is' pleit ik voor een scherpe, diepgaande analyse van de actuele politieke, economische, sociale en culturele problemen op verschillende schalen (Baskenland, Spanje, Europa, globaal). Startpunt daarbij is het pijnlijke maar noodzakelijke 'herstel van het historisch geheugen' van Baskenland en Spanje. Mijn onderzoek naar het al of niet degenereren van 'Mondragon' bracht mij tot het inzicht dat Arizmendiarieta's Personalistische coöperatieve ideologie beter opgegeven kan worden als het ooit het vermeende radicale alternatief wil bieden voor het huidige, dominante kapitalistische systeem. Dit oorspronkelijk als radicaal voorgestelde alternatief vereist in mijn ogen een radicale, systeem kritische theoretische onderbouwing, aansluitend en voortbouwend op eerdere kritische stemmen uit Baskenland, die door Mondragon genegeerd werden. Het oppakken van deze en andere kritische geluiden zou mogelijk kunnen bijdragen aan het weer verlevendigen van de stagnerende theorievorming rond coöperaties in het algemeen en de Mondragon coöperaties in het bijzonder.

