

VIDEO Interview Transcribed: Understanding the Mondragon Worker Cooperative Corporation in Spain's Basque Country (2012)

This is a 2012 video interview that *Democracy Now!* host Amy Goodman did with Mikel Lezamiz, director of Cooperative Dissemination at the Mondragon Cooperative Corporation in Spain's Basque Country. He described how the project relies on a participatory model in which the workers are the cooperative's members.

AMY GOODMAN: This is *Democracy Now!*, democracynow.org, *The War and Peace Report*. I'm Amy Goodman. We're in the Basque region of Spain, not far from one of the largest worker cooperatives in the world. It's called Mondragon. And we're joined right now by Mikel Lezamiz. He is director of Mondragon Cooperative Dissemination. We are sitting in his backyard in Busturia, Spain.

Welcome to *Democracy Now!* It's great to have you with us. Explain what Mondragon is, how it got started.

MIKEL LEZAMIZ: Mondragon started in 1956, creating the first industrial cooperative. But before that, Father Arizmendiarieta, the leader, the priest, who started with all the projects, started in 1943 creating the school, the technical school. And after that, the students of this school, he pushed to five people to create the first cooperative in 1956—the name at that time, Ulgor; today, Fagor.

AMY GOODMAN: And why did this priest want to start a cooperative? Talk about the political times here in Spain.

MIKEL LEZAMIZ: OK. In that time, it was hard times after the civil war that finished in 1939. And Father Arizmendiarieta went to Mondragon in order to be a priest, but he started with a school. And he wanted to—first of all, before to create the cooperative, he went to the biggest company in Mondragon to—with the directors, telling to give the possibility to all the workers to be part in management, in profits and being ownership. That was 1955. They didn't assent him, and for that reason he pushed to some workers to set up their own cooperatives where everybody can participate in management, in profits and being ownership.

AMY GOODMAN: And these were graduates of the school that he had set up, the technical college.

MIKEL LEZAMIZ: That's true. They were engineers in that times, and they were working in that big company. But in the company, they didn't assent, and for that reason he pushed to these five people to create their own projects. The idea was—and it is—that the workers, everybody, has to be the director or has to be the entrepreneur or has to be the person who makes the decision and not to work for anyone. So we have to part—we have to have parts in management, in profit and being ownership. That is the most essential idea. Before, there were a lot of ideas of the Catholic Church innovate to humanize the factories, to humanize the industrialization at that times. But Father Arizmendiarieta was—went more than only humanizing. So he wanted to give the power to decide the future each one, not depending from another manager or another capitalist.

AMY GOODMAN: So these were very difficult years. Franco was in power. People felt marginalized. They didn't have jobs. So this priest comes into this town, sets up a college, and then tries to set up this cooperative. But didn't he need a bank to support it?

MIKEL LEZAMIZ: Yes. After three years—that was in 1959—so, they started the first cooperatives in 1956, and after, they create another three cooperatives. And Father Arizmendiarieta had the idea that we have to set up the cooperative bank in order to create new cooperatives and to support the cooperatives with financial support. But not only with the financial, most very clever, creating the entrepreneurial division inside that cooperative bank in order to research the market and to decide, OK, which kind of jobs we can create, which kind of product we can produce. And after that, from this entrepreneurial division, we help—or, they help to create new cooperatives. And after the bank, the entrepreneurial—no, the bank division support financially, but it was a very good idea to create the bank with this entrepreneurial division to create new cooperatives.

AMY GOODMAN: Now explain, in these first years, what were the Mondragon cooperatives? What were they making? What were the products they were coming out with?

MIKEL LEZAMIZ: Yes, in Fagor, domestic appliances, they produced domestic appliances. But the first one was a cook. And—

AMY GOODMAN: A stove?

MIKEL LEZAMIZ: A stove, a stove. And after that, they start producing the refrigerator, the washing machine and water central heatings. And now is the—

AMY GOODMAN: So why would people buy Mondragon products?

MIKEL LEZAMIZ: Because good quality and good price and good service. I think that all over the world and everybody buy because good quality and price and service. Sometimes you can buy because philosophy, but no, but if you have a bad quality or it's more expensive, you don't want to buy. So, for that reason, we always—we are trained to produce always with quality, train to give the best price, you know, to permit to everybody to buy this kind of good for their house. And after that, we have to give the good service.

AMY GOODMAN: Now, people probably, if they've heard of co-ops, have heard of food co-ops, where a community gathers together, and they provide a couple of hours a week to make a cooperative work, and that's a lot of human effort. But Mondragon is also highly technological. You are making products. Can you talk about how you came to be on the cutting edge of technology? It wasn't just people working in a good-natured way, in a cooperative way together.

MIKEL LEZAMIZ: Yes. In fact, we have at this moment 14 research and development centers, in order to help to the different sectors that we are producing different goods or our products. Innovation was a very important value for us, and today it is. And today maybe it's more than before also, in order to be profitable and [inaudible]. But always we have this idea that, OK, education is very important for people, and as [inaudible] for enterprise and for the community. But after the education, innovation is very important. Social responsibility is another value. And cooperation and solidarity with the community is very, very important. But innovation, it's a very important feature inside Mondragon. And from the first ideas, Father Arizmendiarieta had this idea to create the research center in order to help and to be independent from the American or German or Japanese technology. So we have to be—we don't have to depend from different technologies. And, first of all, maybe they start buying the goods or buying the rights to produce, but at this moment, for example, we have at this moment 716 patents, worldwide patents, that give us the possibility to be independent from another high-technology companies or cities or countries. So, innovation is very important.

AMY GOODMAN: I was just speaking to *lehendakari*, the president of the Basque region, Patxi López, talking about Mondragon and its importance, one of the largest businesses in the Basque region. Can you talk, Mikel, about the Basque quality, if you will, of the Mondragon cooperative? I mean, why it grew out of the Basque region, for people outside of not only the Basque region, but Spain?

MIKEL LEZAMIZ: OK, well, first of all, I have to tell you that I believe and we believe that everybody can create cooperatives, and it's possible to create cooperatives, because, as you know, cooperatives idea, it didn't start in Mondragon. Cooperatives started in the U.K., and before to the Basque Country, they were in France, in the States and wherever. But after that, what about the cooperative culture, what about the Basque culture connected with the cooperatives? And, OK, yes, we have in fact the internal, the political democracy. In the last 10 centuries also, it was here. They were more or less [inaudible] democracy, because in each town and in each provinces, we choose. But 10 centuries ago, we choose the—or they choose the boss or the—

AMY GOODMAN: The leader of the town.

MIKEL LEZAMIZ: The leaders, OK. But also, today, we think that one of the very important features of the Basque region is the solidarity, in order to—in order to help each other. But this is not a paradise. The Basque Country is not a paradise. And Mondragon cooperatives is not a paradise. And we are not angels. And so, sometimes when we have to tighten the belt, people start having problems and speak, and we are very critical also about all the problems that we have. And so, I think that cooperatives is possible all over the world. Basque people are better than the others? No. We are normal people.

AMY GOODMAN: No, in fact, it didn't rise out of a paradise; just the opposite. You're talking about Spain during Franco's years, and perhaps the most repressed area in Spain was the Basque region for Franco.

MIKEL LEZAMIZ: Yes, that's true.

AMY GOODMAN: The bombing of Guernica, for example—

MIKEL LEZAMIZ: Yes, that's true.

AMY GOODMAN: —in 1937, 75 years ago.

MIKEL LEZAMIZ: And this kind of problems maybe gave us the possibility to work together and to be more in solidarity, more solidarity. And that will be one of the features that permit us to create this kind of a cooperative project maybe.

AMY GOODMAN: Mikel, can you talk about the response of small businesses in the area, because Mondragon is big now? It's not just the alternative; it is the power here in Basque region in Spain. How many people work now for Mondragon cooperatives?

MIKEL LEZAMIZ: Yes, in Mondragon cooperative groups, we have 83,000—83,000 workers, full time. And after, we have another 15,000 or 20,000 working part time, mostly in the supermarket. So, we are close to 100,000 workers altogether, full time and part time. And we have 120 cooperatives. So, cooperatives are not very big. But working together and with the close inter-cooperation that we have, we are now the best, the best now, the biggest, the biggest company in the Basque Country. And speaking about jobs and employment, we are the fourth biggest in Spain and among the seven biggest in sales.

AMY GOODMAN: And the largest cooperative in the world.

MIKEL LEZAMIZ: OK, well, there are—well, but, for example, in U.K., they design a cooperative that the name is the Co-operative Group, that is a supermarket. And after that, they have some bank services and a funeral services. And they are, for example, 110,000 workers. In that case, it's a consumer cooperative, so the consumers or the clients are their members. In our case is that we are the workers, and we are the members.

AMY GOODMAN: How do small businesses in Spain compete with Mondragon, now one of the largest businesses in Spain?

MIKEL LEZAMIZ: OK, for us, the first market is not Spain. It's Europe. So we are competing with—because we are selling at this moment 70 percent of our products all over the world. We are exporting to 150 different countries. And, for us, yes, the first foreign market is Europe. And also, Spain is important for us—yeah, that's true. But I think that the other companies feel or think that, OK, we are working well, because we are working all together, because the most important feature or characteristic of Mondragon is that these 120 cooperatives, that are big and small cooperatives, are working together, and we set up one group, one corporation, but we pass people from one to the other cooperatives. We pass also money from one to the other cooperative. We pass cash, liquidity, from one to the other cooperatives, and also innovation. And that is very important in order to overcome the economic crisis. So in this moment, a lot of small companies also are thinking or think that Mondragon is going well because we can compete all over the world, because the internal amount of the exportation is very high and because we are overcoming much better than the others, in general, the crisis.

AMY GOODMAN: Well, that's very interesting, the financial crisis and how it's affected you. And I think this would be very interesting for people to hear in the United States. You have large banks in the United States that are only getting larger and only more profitable for the top managers, but are foreclosing on people's houses at a very high rate, etc. How did Mondragon respond to the financial crisis, how you fared during these times?

MIKEL LEZAMIZ: Yes, we believe that, first of all, yesterday we were 430 directors of Mondragon together in a congress that we set up every year, speaking of the future, about the challenge that we have for the next years. And we believe, there also, we were—we clever said that, OK, we are going to overcome the economic

crisis because this inter-cooperation, the relation between cooperatives, because if one cooperative have some problems—

AMY GOODMAN: Give us an example of a cooperative, what it makes, and another cooperative, what it makes. And—

MIKEL LEZAMIZ: For example, at this moment, we have 250 people relocated in another cooperative. They don't have no jobs in their own cooperatives.

AMY GOODMAN: What was that cooperative doing? What was it making?

MIKEL LEZAMIZ: No, different kind of cooperatives. For example, in the domestic appliances sector, from Fagor, that they are now suffering a big problem because the lack of construction in Spain, and in Europe also, because the economic crisis. And Fagor domestic appliances, they are selling for new apartments and also to repair, that does one. But in this case, Fagor is suffering this economic crisis, and some of these workers are working in another cooperative.

AMY GOODMAN: And what is that cooperative?

MIKEL LEZAMIZ: For example, machine tools sectors, car components cooperatives. Yeah, in different cooperatives. And so, that is a very important idea. First of all, we are passing money, cash, liquidity, from one to the other cooperatives, because, as you know, the lack of liquidity from the banks, it's very high. And some of our competitors are suffering. And some of them, they are going down and closing because this lack of liquidity. Now, we don't have this kind of problem, because it's very common to pass money from one to the other cooperatives, to pass liquidity, cash, from one to the other cooperatives, in order to overcome the economic crisis.

AMY GOODMAN: So here you are in Spain really actually thriving, certainly getting by, as Bankia, the largest bank conglomerate, has—is going under, involved in perhaps the biggest banking fraud in Spain's history.

MIKEL LEZAMIZ: And in fact, for example our cooperative bank, Caja Laboral, that is the second-biggest in the Basque Country, and in the north of Spain, from Madrid to the north of Spain, it's the—among the second-, the third-biggest bank, is going very well. In fact, all the data that we have are, in general, much better than the banks on the—most of the banks. And it's because, in this case, we—in the Basque Country, there is not so big a problem with the construction, because the problem of the real estate and the construction was more in the east part and the south part of Spain. Here, we are not—we don't have this kind of problems connected also with the banks. And also, it's because the bank also is more connected with industry. And as you know, the Basque Country is more industrial than the construction or than the others. It's the most influence or the most important industrial area of Spain, the Basque Country.

AMY GOODMAN: Mikel, can you explain how the management structure works? What does it mean to say worker-owners?

MIKEL LEZAMIZ: OK. Yes, we set up the most important things, therefore, in the cooperatives is the general assembly, the general assembly formed by all the workers that are the members of this cooperative. For example, going to Fagor domestic appliances, they are at this moment 2,500 workers, producing washing machine, dishwashers, the refrigerator, and then so on—2,500. And they set up at least once a year the general assembly in order to make the most important decision and decide the strategy, the annual report, and to approve the annual report, and then so on. And in this case, it's the general assembly who makes the decision. But after that, we choose the governing council—the board of directors, you say—the governing council, that in the case of Fagor, they have 12 people—president, vice president, secretary and another nine. In the small cooperatives, there are maybe only three or maybe five, seven, nine; or being big, 12 people. And this governing council set up at least once a month in order to make the decision every month. And they choose the general manager, the CEO, in order to execute and to manage the company, and in this case, to propose the important decision. But it's the governing council that makes the decision. It's not the general manager. And after that, the general manager has the finance director, the people director, production director, marketing director, as they need.

AMY GOODMAN: And how do you share the profits?

MIKEL LEZAMIZ: OK, from the gross profit in each cooperative, they have to put some money in the cooperative—in the corporate, Mondragon corporate corporation. So, for example, all the cooperatives has to put 10 percent of their gross profits in Mondragon investment fund. This investment fund is to create new cooperatives or to help the cooperatives to set up new business or for the internationalization. If one company needs to buy a factory in the States, or they want to create a new factory in the States, the cooperatives is going to put 60 percent of the investment, and 40 percent is put from this Mondragon investment fund. They have to put another 2 percent in Mondragon education, to help mostly to the university, Mondragon University, and another 2 percent in Mondragon solidarity fund. This is—this fund is in case of losses of each cooperative, solidarity fund. But after that, they have to pay their taxes. And after paying taxes, they have their net profits.

How we share the net profits: 10 percent should go, because by law it's compulsory to do so, 10 percent goes to the fund of education and for the society. This is to help the children or the NGOs or support for the society. Each cooperative, they say how they are going to share this 10 percent. And after that, we send another 45 percent to the fund or reserve of cooperatives. This is to invest in the cooperatives to work every one all the year. And the other 45 percent are returns, returns to workers. But in this case, we don't get these returns—these dividends, as you say; we say "returns"—because these returns is to work. And we don't get these dividends in cash. We capitalize. So, everyone—we have the initial capital, and after that, all this capital, all these returns that we share between us, and I'll get this money when I retire. But in the meantime, my company is using this capital, this investment, and that is another way of overcoming the economic crisis. One of the most important features of Mondragon is that 90 percent of the profits, we reinvest, because only 10 percent goes to the society directly, and the other 45 goes to the cooperatives to invest in new product and new machines and then so on, and the other 45 is my money, but that is inside the cooperatives, and the cooperatives invest. So, 90 percent of the profits, we reinvest in order to create employment.

AMY GOODMAN: Did you have to decide about job cuts or pay cuts during the crisis?

MIKEL LEZAMIZ: We never fire any member of Mondragon—we never—in these 56 years, because we pass, and before of going unemployed, we pass from one to the other cooperatives. At this moment, only 250 are relocated. But before, I can remember that in 1991, '92, '93, that were a very high crisis, in that moment we had more than 2,000 people relocated in the other cooperatives in order to overcome the economic crisis. And after that, in 1994, we started growing, and now we are more than before.

AMY GOODMAN: Mikel, Mondragon has an actual MBA program for cooperatives?

MIKEL LEZAMIZ: We have, yes. And I have already made it, the MBA, master's business administration.

AMY GOODMAN: Where?

MIKEL LEZAMIZ: In Mondragon University. In Otalora, in my case, I made it in Otalora. Otalora, it's our management and cooperative training center that belongs to MCC, but the teachers are connected with the university, and the title is given by the university. But after that, there are another MBA in different universities also here—in Bilbao, for example—and in the public universities. And it's possible to do the MBA in management, cooperative management.

AMY GOODMAN: Your wife teaches in Mondragon. She teaches kids. Does she teach a Mondragon philosophy of cooperatives? Do the kids learn about what it means to live in a cooperative way in school?

MIKEL LEZAMIZ: OK, we don't have any subjects specific with—that the name is "cooperative education," no. Only in the university, in the last year of the engineering school, but only in the engineering school, we have this subject that is cooperative education. But in the other [inaudible] schools, in the other faculties and also in the primary school and secondary school, we don't have any subject that the name is "cooperative education." But we try to teach them and to educate them in cooperative values, cooperative values that are transpersonal values, not only the knowledge, but also we try to, for example, working together and giving them more and more autonomy, or giving them more and more participation possibility, because, for example, in the university, the students are members of the university. Not only the workers or not only the teachers and the staff are

members; also the students—the students are the members, and after that, the companies, cooperatives. But also, conventional companies, they are not allowed, but all of them, they can be part of the university. And in this case, students are participating in the cooperatives. And after that, all the works they have to do, they work in groups. And so, the cooperative values, we try to implement, to integrate in each students working every day.

AMY GOODMAN: How do you deal with having to manufacture products outside of the cooperative? You have factories in other countries. Where are they?

MIKEL LEZAMIZ: Yes, we have at this moment 77 factories overseas, all over the world. But mostly—most of them are in France and in Europe. But we have also in the States, in Brazil, Mexico, China, India. But—

AMY GOODMAN: Where in the United States?

MIKEL LEZAMIZ: We're in Arkansas, for example.

AMY GOODMAN: Arkansas.

MIKEL LEZAMIZ: Little Rock, yes. And—but these companies, these factories, are not cooperatives yet. So, most of them, most of the workers that are abroad, are not members; they are employees. We have a plan, and we started before, two years before the economic crisis. We started with the pilot projects—one of these in Poland, another one in Mexico, and another one in Brazil—speaking with the trade unions, speaking with the workers, white-collar worker, blue-collar workers, and also with the administration, in order to give them the possibility to participate in property, so being ownership, in management and in results. But because the economic crisis, because this is a process, it's a long process, and that it takes at least five years, and after two years, in 2008, start the economic crisis, and overseas, we have stopped. We have already started becoming cooperatives in Spain, in the Basque Country and in Spain, but not yet in the other parts of the world.

AMY GOODMAN: And where do you unions fit in? I mean, when you started during Franco's time, unions were forbidden, and maybe Mondragon cooperative was an answer to that. But now, working with unions in this country and around the world?

MIKEL LEZAMIZ: OK, well, we have—also here, we have good relation with the trade union. As you know, here in a cooperative, trade union don't work, because it's the general assembly of all the workers who makes the decision, the most important decision. And, for example, how much we are going to increase the salary or how much we are going to decrease the salary, it's the general assembly who makes this kind of decision. But overseas, we speak with the trade union, because we have to—we have to be together and to work together in order to give them the possibility to understand what does it mean to work for cooperatives. And in this case, trade unions are important, and—but the most important, in order to convince all the trade union, all the workers, is a very important value that the name is transparency. Transparency is very important here, but also overseas and in a conventional factory. If we are transparent, giving to all the workers and to the trade union the possibility to know everything about the company, and making every month meetings to explain how is going the company and what is the strategy and what is the—how we see the future and then so on, that is the best way to integrate and to motivate everybody and also to understand from the union, trade union.

AMY GOODMAN: Mondragon International, one of the world's largest worker cooperatives, starting to work with the United Steelworkers a few years ago, you announced an agreement with Mondragon to develop unionized worker cooperatives in the manufacturing sector in the U.S. How has that gone?

MIKEL LEZAMIZ: OK, well, we have an agreement with them in order to work together or to help them to build or to create cooperatives or to become some worker-owned companies and cooperatives. We are working. We have a very good relation. Maybe it's not easy to make steps quickly, because this kind of process, I told you before that it takes at least five years, because we have to change the culture, and it's not easy to convince everybody. But we think that that is going well, slowly. But we think that it will be profitable for them, for us and for the world.

AMY GOODMAN: The United States, in the corporate media, capitalism is equated with democracy, so you question capitalism, you're questioning democracy. Yet you provide an alternative to capitalism, the Mondragon cooperatives, where people live very well, and they—and no one has lost their jobs, you say. Explain how it works. Is this an alternative?

MIKEL LEZAMIZ: We—always we say that we prefer to work in our own way. We don't want to create conflicts between us and with the others and with the capitalists and then so on. We think that in this century, in this 21st century, that everybody has a lot of knowledge. Every worker, and so, at this moment, in most of the countries, that the workers are not illiterate. So, and they have a lot of information and a lot of training. Today, the management model, also the management system, should be more participative, more democratical, because everybody wants to—everybody knows a lot, and everybody can participate, and it will be much better for them. And in this case, we think that—we don't say that it's another way or—no, we say that this is good for everybody. If everybody can make their own decision, it's much better for them and for the society, because, after that, the aim is not to resolve my own problems. We have to resolve—or we have to develop the society, because our mission is to create wealth within the society. Our mission is not to earn money. Our mission is to create wealth within the society.

How? Through entrepreneurial development and job creation. That is our aim. And in this case, we think that democracy is much better for everyone, if participation possibilities is much better for everybody. And trying to be in solidarity—and being in solidarity, we can develop the community. And for that reason, we think, OK, this is maybe another way, or not, but this is—we think that it's a very human way, a better human way than another one. And we think that it's possible to compete with everyone, being a cooperative and being ownership. And we think that in the future, in this 21st century, all the things, all the ways, all the affairs, also the business, should come to this idea of giving the participation possibility to everyone, and not to only one person or 10 people making the decision, and the others has to continue, has to work behind this decision.

AMY GOODMAN: The 99 percent?

MIKEL LEZAMIZ: Ninety—yeah, or more. Why not? Yeah.

AMY GOODMAN: The wage differential between the highest paid in Mondragon and the lowest-paid workers, Mikel?

MIKEL LEZAMIZ: In most of the cooperatives, the biggest differences between the top and the low is one to 4.5 times, 4.5 times. But the biggest, the CEO of Mondragon, is earning six times the minimum minimum salary.

AMY GOODMAN: Mikel Lezamiz, thank you so much for joining us.

MIKEL LEZAMIZ: OK.

AMY GOODMAN: Mikel Lezamiz is the director of Mondragon Cooperative Dissemination. We're speaking here in Busturia, Spain, in the Basque region, not far from Mondragon, where he works and lives. More than 100,000 people work in the Mondragon cooperatives. This is *Democracy Now!*, democracynow.org, *The War and Peace Report*.

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