Mondragon Co-operatives - Myth or Model
Edited by the Co-operatives Research Unit of the Open University

A CRU publication

Co-operatives Research Unit - The Open University
Co-operatives Research Unit

Telephone Milton Keynes
(0908) 652102
Mondragon Co-operatives - Myth or Model?

Edited by C.R.U. Publishing Group
Contents

Introduction
Acknowledgements
The Mondragon Co-operative Experience - Roger Spear (C.R.U.)
The Roots of Mondragon's Economy - Keith Bradley (L.S.E.)
Capital Stakes at Corby - Robert Oakeshott (Job Ownership Ltd)
Co-ops and the Labour Movement - Alan Oberman (Royal Arsenal Coop Society)
A Mondragon in Wales - Denis Gregory & Chris Logan (Wales T.U.C.)
Mondragon and the Quality of Life - Jack Eaton (University of Wales)
Summary - Roger Spear (C.R.U.)

References to The Mondragon Co-operative Experience by Roger Spear (C.R.U.)

Mondragon References
Acknowledgements

We would like to thank Eliott Stern of the Tavistock Institute for very ably chairing the meeting; Richard McCracken for recording the proceedings; John White (O.U.) for transcribing the tapes of the proceedings; Doreen Pendlebury, the C.R.O. Secretary, for dealing with many details of organisation and publication so competently; and Jenny Thornley for organising the conference.

We are also grateful to the Speakers and audience contributors for making the conference so worthwhile and enjoyable.

The Cooperatives Research Unit Publishing Group
Chris Cornforth
Peter Milford
Roger Spear
Jenny Thornley
Introduction

In March 1981 C.R.U. or more precisely Jenny Thornley, organised a conference on the Mondragon Co-operative of Northern Spain. We gathered together the major protagonists on this topical issue and debated their views. This book is an edited report on the findings of that meeting.

When we organised the conference we had several aims in mind. In the first place, very simply, we wanted to gather the views of a number of people who have first hand experience of Mondragon. At the moment much is being said in the press and on television about the Mondragon co-operatives and their success. These kinds of reports raise as many questions as they answer and we hoped the meeting would provide some more detailed information on specific points from people who have been there.

Secondly, it was our intention to bring together both academics and practitioners in the belief that a dialogue could be valuable; but bringing any group of people together raises some problems. In particular, one problem concerned the different values and different ideologies that people brought to a discussion. For example, there were people who consider capital stakes to be both very important to the Mondragon experiment and good in themselves and other people who took exactly the opposite view. It's important not only to recognise and accept these differences but also to try to clarify those differences of belief and value. Thus our aim was to examine critically the different lessons that various people are drawing from Mondragon, and try to pin down some of the important differences regarding the following three areas.

The first concerns the question: what is the success of Mondragon? Why do people think it is worth copying in the first place? For some people Mondragon is a wonderful growth machine. Its success is to do with creating jobs. For other people it is to do with workers control. For other people it is to do with overcoming the basis for industrial conflict. These are very different concerns that need to be clarified.

Secondly, whether we regard Mondragon as the blueprint for co-operative development or more importantly as an inspiration, it is important to identify what different people think are the most important ingredients in the Mondragon success story. That is to say, those ingredients that are most important to transplant or to develop in Britain.
Thirdly, it is necessary to clarify differences concerning the feasibility and the desirability of the different co-operative development strategies for this country through a comparison with what happens in Mondragon.

We are publishing this collection of papers because we feel the conference succeeded in many of these aims; and the quality of contributions is worthy of a wider audience.
The Mondragon Co-operative Experience - Roger Spear (C.R.U.)

'Mondragon' is a town in the heart of Basque country where the first co-operative was established. It is used in this paper also to refer to the set of Basque co-operatives. It is now the centre of a network of over 100 worker co-operatives employing over 17,000 people. It also has secondary co-operatives - such co-operatives are an important feature of this group - dealing with services such as education, health, employment and sickness insurance and so on. The first co-operative, Ulgor, was formed in 1956 with an initial membership of 23. In 1943 the Technical School was set up. This was the forerunner of the highly regarded polytechnic which provides much of the technically skilled personnel for the co-operatives. It has since been converted to a co-operative.

The reader is referred to references 1, 11 and 25 for a more detailed description of the current legal and organisational features of Mondragon.

Many different writers have attempted to explain Mondragon and to formulate propositions about the general applicability of the experience for other countries. Much of their differences appears to derive from the weight given in their explanations to historical and cultural factors, and particularly to Basque characteristics. Oakeshott et al (1) are clearly interested in the transferability of the co-operative experience and play down the importance of cultural factors. Similarly, economic analyses (2) tend to ignore those factors (e.g. ideological and cultural factors) that don't fit the (neo classical) economic model. While this paper is concerned both with issues of transferability and with economics, it attempts to weight them more critically against the many other relevant factors and points of view. For instance the early history of the Basque region, the political and economic history of the rest of Spain, as well as the personality and ideas of the founding priest, are important for a full understanding of the Mondragon co-operatives.

Origins and Historical Development

The Basque region is the most heavily industrialised (with the highest per capita income) in Spain, partly due to its rich iron ore resources but also to its tradition of foreign commerce which has been strong since the 14th century (3). It has been battling for autonomy for many years. It lost two wars for autonomy in the 19th century and joined the Civil War on the Republican side because, among other things, the Republican regime had provided the Basque country with a special autonomy statute. It is strongly Catholic. Only after the Basques were defeated (quite early in the Civil War) could Franco claim to be conducting a crusade against the opposition with God on his side.
Apart from being heavily industrialised, the Basque region has a fishing industry along the Cantabrian coast and, despite its hilly terrain, it has a thriving peasant farming sector.

There is a strong sense of history - many old local customs and much of the folklore are maintained. The nationalist, separatist movement has prevailed despite a high level of emigration after the Civil War and a high level of immigration from other parts of Spain (especially Andalucia and Echevarria) during the boom period of the sixties. Spanish state repression for many years virtually eliminated any proletarian leadership in the Basque Country unless it manifested itself through acceptable state or church channels. Many other features of the Basque Country suffered through Franco's benign neglect or not so benign exclusion - the transport and communication infrastructure is fairly primitive, and state education is in a similar state. This had undoubtedly fed the spirit of nationalism and self-help. In addition to a repressive state, other relevant characteristics of Spanish post Civil War society are an economic philosophy where private ownership is dominant but where state apparatus exists (sindicales verticales)* to maintain labour discipline in the face of high unemployment. There has been a gradual shift in the ideology of the ruling class from Franco's fascistic values of unity and hierarchy to political pluralism and from economic nationalism to a belief in free trade and foreign investment. During Franco's era any social innovation had to be legitimated either in terms of the former set of values or in terms of Catholic values. From the early Franco policy of maintaining a closely aligned church and state, the church has negotiated its independence via stronger ties with Rome. With a gradual increase in the number of progressive bishops (for sometime a majority), the church has been an important force for social change. This is particularly so in the Basque Country and Catalonia where the priests are much more radical than in Castilian-speaking Spain. Most of those in the 'priests prison' at Zamora are Basques. They obviously identify strongly with the Nationalist struggles of their countrymen, and the church now uses the Basque language (as well as Catalan and Gallego). Their involvement with social and political issues has been direct - witness in 1974 the Bishop of Bilbao's pastoral letter on the rights of the Basque's to cultivate their own language and separate identity. This was seized on by the state and used as a test case on whether the church should get involved in social and political issues. But the priests' influence has also been indirect through

* 'Vertical Sindicales' - A bureaucracy under the direction of the State, through which the interests of both workers and employers were embraced.
their involvement with Catholic Action lay groups such as the youth workers movement, Juvental Obrera de Accion Catolica (JOAC) which has been a progressive force in maintaining links between the church and the masses. The Basques have a low level of class stratification and strong links between classes but women have a subordinate role in society (even in the co-operatives). All these factors have combined to create a strong sense of community which is manifest by the existence of such social gatherings as eating clubs and "quadrillas". The former are clubs for male groups to eat; and the latter are groups of 5-10 men (and recently also of women) who drink together. Such groups are often formed in school days and become the basis of long lasting friendships and associations which often cut across class lines. Quadrillas have been very supportive in times of personal tragedy of their members, giving both financial and emotional support.

Political freedom was severely constrained until the mid 1970's. It was not until 1975 that political parties on the Republican side were allowed to operate openly once again. On the surface, progress has been rapid since then, with Parliamentary elections in June 1977 and a new constitution in December 1978. In reality political liberalisation has been more pedestrian. Thus the political role and ideology of the Mondragon co-operatives has been severely constrained up until quite recently. These various external factors plus the factors internal to the Basque country have combined to produce a Basque culture which includes the following features:

- a strong sense of solidarity, self-determination and nationalism
- a spirit of co-operativism
- and a sense of social justice (derived from Catholicism).

The Basque is often caricatured as a simple peasant farmer with qualities of honesty, thriftiness and industriousness (despite the fact that most of them now work in factories and offices).

The Spanish economy has seen dramatic changes during the post Civil War period (4). Spain has moved from being a predominantly rural and traditional country to an urban and increasingly modern society. Three Basque provinces - Vizcaya, Guipuzcoa and Alava - have the highest per capita income in the country and help to reinforce the division between the prosperous North and the poor South. However, growth has been intermittent. In the immediate post Civil War period, the economy was stagnant and it wasn't until 1954 that the GNP recorded pre-Civil War levels. After that growth was slow but, following political unrest in 1958, it was actually negative in 1959. However, the economic stabilisation plan in that year,
paved the way for the Spanish born period which was financed by the U.S.A. and Western Europe. From 1960-1969 the economy grew by 70%; since then growth has been above 5% p.a. until the recent world recession. The Spanish economy is peculiarly susceptible to fluctuations in the economies of other European countries because the "motors" of the economy are tourism, the remittances of emigrant workers and foreign investment; a small change in Europe's fortunes will be amplified through all three factors in Spain (5).

Most taxation is indirect (hence wage differentials are not significantly reduced by income tax) and the expansion of schooling, housing and public services have not kept pace with economic development. These problems have been aggravated by the high level of immigration into the area from the rest of Spain. An indication of immigration levels can be given by examining statistics on co-operative workers. For instance, in 1975 the origin of Ularco workers* was

44.76% Mondragon and area  
8.09% Guipuzcoa  
16.49% Basque country  
2.96% Logrono  
27.07% the rest of Spain

These social, economic and political sectors have a considerable bearing on the annual development of the Mondragon experience.

Co-operative legislation in Spain has been developed gradually over the years, beginning in 1906; the law of 1942 was a major item of legislation. Some relevant features of Spanish Co-operative law are as follows:

Employees are regarded as self-employed (hence the development of Lagun Aro, the Mondragon social insurance co-operative). Co-operatives have to distribute at least 10% of profits to social projects in their community; co-operatives don't have to pay corporation tax (currently at 22%) for ten years and then they only have to pay 50% of the standard rate. Capital for the formation of co-operatives should be provided as follows - 1/3 bank, 1/3 workers, 1/3 government, and co-operative banks can pay 1% above the rate of interest payments to savers.

*Ularco - a federation of several large co-operatives in the Mondragon area.
in 1964 (7) according to official statistics (which it should be noted are unreliable) there were a large number of co-operatives in Spain employing some 2 million workers of whom about 75% were in agricultural co-operatives.

No. of co-operatives

- 8000 farm
- 1250 consumer
- 280 credit
- 1250 industrial
- 200 fishing
- 900 housing
- 1700 rural banking
- 600 wine
- 50 spirits
- 900 oil
- 10 flour mill
- 200 agricultural feedstuffs

(plus several miscellaneous co-operatives)

An interesting feature of this picture is the strong history of Catholic inspired co-operation, mainly in the form of agricultural syndicates and banks. Numbers reached over ½ million workers in 1917 but declined to 200,000 associates in 1933. The Basque religious leaders have been particularly prominent in this movement, though the main organisational force behind these agrarian co-operatives has been the Catholic-Agrarian Confederation (not usually considered a radical influence). (N.B. this kind of church involvement is not confined to Spain - the Catholic Centre of Co-operation is an international organisation based in Rome and Brussels). The discussion on the ideological roots of the Basque co-operatives - Catholic, socialist, nationalist etc - will be continued later (8). This predominance of agricultural

---

8 A quote from the Caju Laboral Popular (the Mondragon Bank) publication, Nuestra Experiencia Cooperativa (Our Cooperative Experience), (1979), emphasises the diverse origins of Mondragon-

".... (there) arose .... new examples of economic activity under the co-operative organisation:- such as, the Consumer Coops which appeared early on in the region of Greater Bilbao, and the Industrial Production Cooperatives such as Alfa (from the Basque town of Eibar) which was socialist inspired. At the theoretical level, the promotion and support of co-operation was undertaken in the years before the Civil War of 1936, from such diverse positions as the socialist Echevarria, the priests Policarpo de Larranaga and Jose de Ariztimuno, personalities more relevant than Social-Christian Basque values."
co-operatives contrasts dramatically with the picture in the mainly industrial Basque country where, despite the long history of co-operativism, the newer Mondragon industrial co-operatives dominate the area; for example in 1972 co-operatives associated with Mondragon accounted for 25.4% of all co-operatives in the Basque country but 56.6% of all co-operatives employment.
2. The Mondragon Co-operative Movement

In 1941 a young priest Jose Maria Arizmendiarrrieta (Arizmendi for short) at the age of 26 was sent to Mondragon by the Bishop of Bilbao to help pick up the pieces after the Civil War. At the time Mondragon was an industrialised town of about 8000 mainly working class inhabitants. A local firm Union Cervajera, in conjunction with the state (verticales sindicales), had formed an apprentice school which was very small and just served the firm's own needs. Arizmendi mobilised support for another apprentice school by exploiting the locals' addiction to soccer. In conjunction with the Catholic Association he started raising funds for a soccer field and technical college to give working class children a chance to study beyond the elementary level (other classes had different opportunities). In 1943 a soccer field was inaugurated and a Youth Sports Association (Juventud Deportiva de Mondragon) set up to run it. Later in the same year the school was formed with 20 students and 5 teachers. The Governing Board was formed from members of the small capitalist enterprises who had contributed funds, the Catholic Association, and parents. In 1948 the board was converted to an association for culture and education and its participative structure was formalised (12 members, 4 from each group with equal votes. From the start community involvement was also assisted by the regular publication of a clear statement of the accounts, and by continuing fund raising activities of the Catholic Association and the Youth Sports Association. It was not until 1964 that the school became a co-operative called Liga de Educacion y Cultura.

The teaching was primarily concerned with technical education but despite the fact that courses on social sciences and physical education were under the control of the fascist state's Falange de las JONS* Arizmendi, through his daily talks and speeches was able to minimise that influence and promote Catholic values of social responsibility. (N.B. In so doing he reduced economic/social/political problems to the problem of the human being. Arizmendi regularly used phrases like 'Social Justice', 'Social Participation', 'Co-operativism', and 'Security of Employment' in his speeches and writings.)

In 1952 there were 170 students and a new building was inaugurated. 1953 saw the designation of a new Polytechnic at the school.

Five of the school's first graduates formed a paraffin stove factory in Vitoria (later it moved to Mondragon) in 1956. Their names were

*The only political 'party' in Franco's Spain
The initial letters of their names form ULGOR, the name of the factory. Initially it was a conventional company but in 1959 it was converted into a co-operative. The five graduates were all personal friends of Arizmendi. Previously they had worked in capitalist enterprises (most of them in Union Cervajera) and wanted to create "a workplace as a community without differences." They had attempted to achieve this aim inside the capitalist concerns they worked for, but had failed. After establishing their factory, they campaigned with Arizmendi and collected 1.2m pesetas by public subscription in 1958 to increase the size of the factory; community support via Quadrillas was important in the success of the fund raising. The business prospered. Factors influencing its success were Spain's First National Plan, a European boom improving the market and the financial returns from Spain's migrant labour, and weak openings in foreign trade. In addition, Butane was introduced to Northern Spain which provided a new market for the co-operative to exploit by manufacturing gas stoves under foreign licences.

The Co-operators began to develop their economic and co-operative interests further. They helped transform two nearly bankrupt firms into one co-operative (Ederlan) producing cast iron. They also collaborated with Arrasate (later converted to a co-operative) to get the machine tools they required. They managed this in the face of a range of problems. The environment was hostile in certain respects though the community was becoming more supportive and the school was a major factor in cementing links between the community and the co-operative movement. Further support was provided through Catholicism by the two Catholic Associations (a parents' and a blue collar association) that Arizmendi helped to revive. The hostility was mainly from capitalist firms, although this again was moderated through their representation on the school board and their interest in skilled labour from the apprentice school. The main problems presented by the hostile environment were with respect to: a supply of materials, access to finance, and availability of managerial, technical, and legal expertise, and assistance in bargaining with the state bureaucracy.
Arizmendi acted as a mentor figure to the co-operative movement throughout his life and was able to provide considerable assistance in dealing with the expertise problem due to his academic training and his willingness to turn his mind to practical problems. For instance, it was he who did the necessary research to evaluate the advantages and disadvantages of a co-operative as a legal entity.

A further problem for the co-operatives was the need to deal with the question of social security. Co-operative workers in Spain are regarded as self-employed, and consequently finance for pensions, and health services and so on, had to be provided. It is important to note that hostility from the state is not included as a problem faced by the co-operatives. While the whole Basque region suffered from Franco's neglect in several ways (transport infrastructure, etc) the concept of a co-operative in certain important respects fitted with Franco's concept of Fascism - the non-existence of class, unitarist ideology and corporate leadership, and most importantly - strong Christian support.

The early co-operatives associated to solve technical problems, and to secure a supply of materials (often by associating vertically i.e. by linking suppliers, manufacturers, and distributor). The initiative for such moves was taken by an informal organising group involving Arizmendi; and several of the co-operative founder members. This core leadership group formed the Caja Laboral Popular, a co-operative of credit and banking services for co-operatives and individuals. The CLP was formed to help deal with the co-operatives financial problems - its subsequent influence on the development of the Mondragon co-operative experience has been paramount.

Since Ulgor was formed in 1956, the growth of the Mondragon co-operative movement has been dramatic and steady in terms of people, sales and co-operatives (76 industrial), with a sales turnover of over 57,000 million pesetas. The CLP has not only institutionalised the entrepreneurial activity required to set up these co-operatives, but also, through its contract of association* with individual co-operatives, provides an auditing and advisory service that has successfully maintained the economic performance of all co-operatives. The success of the co-operative movement is also rooted in the financial structure of individual co-operatives. The surplus is distributed as follows:-

*See M. A. Saive (9) - p235 for details on the Contract of Association
10-15% - Social benefit (thereby providing a return on community investment).

15-20% - Collective reserves (providing finance for new jobs - a secondary benefit to the community).

70% - Worker capital accounts which remain in the business (ensuring a high level of investment).

Growth has been guided both by the influence of existing co-operatives (for instance, Ulgor sponsored firms now federated under the name of Ularco) and by the socio-economic planning of the entrepreneurial division in the CLP which has taken on the mantle of a regional developer very seriously. There has only been one co-operative failure - Copesca - a fishing co-operative. All others have been successfully nursed through their difficult early years by the CLP.

The development of a corporate leadership assisted by Arizmendi, has been important in overcoming considerable financial, social and organisational problems. The co-operatives have developed their 'Learning System' or capability for dealing with such problems consistently over more than 20 years in a very impressive manner. While the corporate leadership and especially the mentor figure of Arizmendi have been important to the development of the Mondragon experiment, the establishment of secondary co-operatives in particular, the school and the bank - have established a vital institutional framework not only to sustain the co-operative system but also to play an increasingly major role in Basque regional development.

The Technical School and Polytechnic have been described by Gorronogoitia (Ulgor founder and CLP president), as 'The soul of the co-operative experience' (10). Its development has expanded to keep pace with co-operative labour needs. In 1966 the student co-operative Alecoop ( Activated Laboral Escuelar Co-operativas) was formed. It serves several functions. First, it allows students to work their way through college by working a few hours each day both in the co-operative and school. Secondly, it provides the students with valuable practical experience that puts them in a good position for getting a job when qualified. Thirdly, it carries out contract work producing components and parts for other co-operatives and provides temporary labour (as does Auzo-Lagun, the women's co-operative) for work within the other co-operatives. This is very useful since non-member contract hired labour is against the co-operatives' rules. But this experiment has not always been a happy one. In the early days the distinction between the co-operative and the school was not
sufficiently clear. There was some confusion over budgets and equipment charges. There was poor student care of machinery, a poor safety record and poor discipline. Finally there was a dispute between the school authorities and some students who wanted to remain in the co-operative after graduation. The outcome — after a legal battle and the expulsion of one of the students (a priest) — was a victory for the students and a clearer separation of the co-operative from the school. The legal and physical separation took place in 1972.

In February 1976 the Technical school was designated a national polytechnic institute, Escuela Professional Politecnica (EPP). In May of the same year it was granted university status granting degrees of the University of Valladolid. In June 1977 it could grant degrees of the University of Bilbao. The professional engineering qualification requires a further 2 year postgraduate course (which is usually taken at Bilbao, San Sebastian or Toulouse).

There are three types of technical education provided — first grade (3 years from 12-17), second grade (2 more years), and technical engineer (university level) (3 years' extra). Most students go into the co-operatives afterwards if they can; there is often better money elsewhere but the job security and the chance of getting working experience in the co-operatives usually proves too convenient and attractive. Once people are in the co-operatives they tend to stay there; labour turnover is very low. There is also a co-operative business school at Onate and a teachers' training school at Escoriaza. Basque is a compulsory part of the curriculum at the EPP and one student group is taught entirely in Basque. The nationalist spirit behind this policy is also seen in the formation of several Basque co-operative pre-school primary schools. Even many poor Basques prefer to save to send their children to these fee paying Basque language schools rather than to the state run Spanish Schools*. External financial support for such schools is much stronger now that education has become a function of the regional government.

As growth continued, the co-operatives wanted a language centre for its export sales and service people. In 1973 a language school was formed by joining an existing private language academy with the Ularco (a co-operatives federation) language group. Negotiations with the academy owner resulted in the phasing out of the private academy with the owner becoming head of the new school. The language school is completely self-financing (the co-operatives pay

*There is quite a large private school sector which receives subsidies from the state.
if the student passes, otherwise the student pays the fees); it is now in the process of becoming a co-operative*. Indeed, most of the schools discussed are either co-operatives or have a democratic structure similar to that of producer co-operatives. This process of growth by takeover or merger has also been prominent in the formation of Basque primary schools and producer co-operatives.

There are many direct and indirect links between the schools, the producer co-operatives and secondary co-operatives such as the bank (CLP). Many graduates are employed in the co-operatives, (students in Alecoop do contract work for other co-operatives) courses (such as language) are provided to fit in with the co-operatives' labour needs; the co-operative factories can exert control through representation on the schools' governing boards - for which they have the power to appoint heads of departments after consultation with the teachers; also the co-operatives supply people for school examining boards. Educational planning is facilitated when the co-operatives give the school an indication of their labour needs (for different grade engineers and for the two different technical streams within the school - electronics and mechanical engineering).

A further link is the school's provision of expertise to solve technical problems in the co-operatives. The increasing use of this resource led to the formation in 1976 of Ikerlan, the research and development organisation that develops new products as well as providing a technical consultancy service to the co-operatives.

The formation of Ikerlan also helped stem the drain in funds from the purchase of patent licences. Indeed, there are now quite a number of cases where improvements to licensed patents have been made and successfully patented. Ikerlan also does consultancy for capitalist organisations.

The women's co-operative, Auzo Lagun, formed in 1969, borders on being a secondary co-operative - it is a co-operative for many part-time married women, providing meals for other co-operatives, and a laundry and cleaning service as well as supplying temporary labour (clerical and other) for the primary co-operatives.

Lagun Aro (11), set up in the 1970's, is a secondary co-operative that provides social and medical services to all co-operative workers (self-employed under Spanish law). It supplies the family allowances, pension supplements, sickness and injury benefits, etc.

*Note - the Liga de Educacion y Cultura is the co-operative through which the community exert influence on this set of schools and through which they receive services financed by social benefit payments via the bank.
For similar reasons Lagun Aro provides a health service. This compares very favourably with state provisions which tend to be overcrowded and rather poor in quality.

Then there is the consumer chain Eroski which is a hybrid consumer/workers' co-operative with (in 1979) 45 shops.

Finally, the bank (Caja Laboral Popular - CLP), which was set up initially as a savings bank in 1958, has been a critical factor in the success of the co-operatives. It began as a credit co-operative where the thrifty Basques could put their savings. Savings banks such as this can pay a higher interest rate than commercial banks and they are exempt from some taxes. But in return, as a co-operative, it has to invest a certain (10% minimum) of profits in education and social services. The CLP puts its portion into Ikerlan and educational and Basque cultural activities*. Like the school system it has grown and developed alongside the primary co-operatives, and like the schools it is a major factor behind that growth of primary co-operatives. Not only has it steadily opened more savings bank branches administered by its economic division but also it has developed an 'empresarial' or 'entrepreneurial' division that has ensured that people's savings have been profitably invested in the primary co-operatives. This 'entrepreneurial' division nurses new co-operatives to success, even making up losses in early years; in addition, it audits business activities and maintains an active interventionist interest in its investments in the co-operatives by offering advice (technical, managerial or financial) to the primary co-operatives. This support is based on a contract of association to which all member co-operatives are a party. In return, each co-operative banks with the CLP and returns its investment. From its limited early role as a savings bank, the CLP has now developed a major guiding and co-ordinating role amongst its co-operatives. More specifically, it has institutionalised the entrepreneurial role; it has successfully mobilised not only local savings but also the Basque nationalist/community spirit by providing people with the chance to invest in their community through their savings; it provides a high quality comprehensive consultancy service to member co-operatives; and it provides sufficient capital for growth of the co-operative movement. Through these practices it engages in regional development to a considerable degree. It monitors and forecasts the Spanish and Basque economies (producing authoritative economic reports); and.

*Note - in 1979 the allocation was 55.7% Ikerlan, 22.5% Basque cultural activities and the rest into other welfare and cultural activities. (CLP Annual Report)
it carefully plans the growth of the co-operative movement to balance labour requirements and availability and product choice (via takeover or start up) to fit in with the needs of other co-operatives or to fill a market gap.

The primary co-operatives have flourished. The growth in terms of members employed and new co-operatives has been steady since the early days despite the fact that the CLP is now looking to promote higher technology (and more capital intensive) projects.

At the end of 1979 the tally of 'Mondragon' co-operatives in the 4 Basque provinces of Alava, Guipuzcoa, Navarra and Vizcaya was:

- 76 industrial
- 5 agricultural
- 36 educational (excluding EPP)
- 14 housing
- 5 service (excluding CLP)
- 1 consumer (Eroski - 45 shops).

An important recent development amongst the co-operatives has been the formation of federations or groups of co-operatives. This began when a number of co-operatives (including Ulgor and Fagor) decided to join their advisory councils into a Central Services Office. This office was still advisory but it centralised several services for the co-operatives, creating certain financial advantages. Its main functions were (a) co-ordinating advertising, marketing, and maintaining external relations with the state (b) management development and training and (c) planning production schedules, stocks, and so forth to ensure a more efficient flow of materials, components, and products and information between co-operatives. By 1965 the Central Services Office (CSO) had taken on a life of its own, and it was transformed into Ularco - the administrative core of a federation of co-operatives (now 6 in number). The centralisation of services developed further. Personnel management has now developed to the stage where profits are pooled and workers can be redeployed within the federation of co-operatives. Management services have also developed considerably, and now carry out major planning and industrial studies (e.g. on absenteeism).

Ularco has also developed links with the EPP to ensure its labour needs are filled, and there is even a job design department (NFOT Nuevas Formas de Organizacion del Trabajo). A federation of this kind offers the advantage of size, and the operational savings of a vertically integrated set of co-operatives (with Ulgor as the major trading partner). The other co-operatives and the bank have
recognised these advantages and two types of federation have been encouraged - trade and area federations. A certain amount of production and sales integration may take place in either though, where the two types coincide the scope is greater. So far (12) the federations formed include Ularco (in Valle de Leniz), Orbide (in San Sebastian), Goillan (in Golherri) and Learko (at Lea Artibai). Two more are being constituted at Navarra and Urola and several are being planned at, Onate, Gran Bilbao, Indarko, and Vitoria. There is also a trade federation of 7 co-operatives in the machine tool sector.

The formation of the Ularco federation facilitated the development of NFOT, the job design department, but it was not the major force behind its formation. The Mondragon corporate leadership's preoccupation with bureaucratic procedures, the lack of direct participation by workers and the predominant scientific management practices were all contributory factors. But it was the Ulgor strike of 1974 that forced a re-evaluation of working practices and a move towards Swedish style job design techniques. This strike is the first and only one in the co-operative's history it followed a job evaluation scheme (of the industrial engineering type) where supervisors' evaluation down-graded the points rating of several lower skilled jobs (mainly women) and up-graded some of managements). The points rating determines pay and a dispute not unnaturally arose. The workers challenged the basis for the rating and the legitimacy of the Junta Rectora, the main decision-making body which was composed of only higher and middle management. An unconstitutional demand for a meeting with the management board was refused. Normally the social council is the constitutional first step in such disputes but in this case it was not approached. A short strike of 414 people followed. Expulsion is automatic for industrial strikes; only political strikes are legitimate. Consequently, 17 strike leaders (mainly women) were expelled and 397 workers received lesser penalties. The dismissals were upheld by a general meeting.

The shock of this strike and subsequent interest in more enlightened job design has resulted in several experiments of mixed success. In Copreci (fridge components) several job design experiments have been coupled with a more consultative management style. The result has been increased job satisfaction and increased quality. However, in Fagor Electrotecnica success has only been partial as almost half the workforce did not like moving from the assembly line. A further experiment in Ulgor involving about 30 workers in the general equipment division operates at a loss. Experiments are limited in existing factories by cost and technology as well as worker and management attitudes,
but new factories allow more ambitious schemes to be introduced, and at Bergara a factory has been constructed based on the design of a broad committee drawn from all ranks. (14)

The strike also provoked a re-evaluation of the structural relations within the co-operative. The role of the social council was upgraded to become a more influential body within the co-operatives, the Junta Rectora now often contains shop floor representatives, publicity of decisions is more rigorous and consultation with the shop floor takes place more regularly (15).

All this demonstrates the ability of the corporate leadership not merely to respond to pressures but to develop creative changes within the co-operatives. But perhaps the three problems that now occupy its attention will provide the sternest test. These three problems are, in order of urgency, the recession, the role of trade unions and the 'third age' - retirement of workers and withdrawal of their funds.

The growth of the co-operatives has always been impressive:

1956 - 5 employees - 1 coop
1960 - 395 - 8 coops
1965 - 3,395 - 36 coops
1970 - 8,573 - 46 coops
1975 - 13,189 - 60 coops
1977 - 17,275 (est.) - 81 coops

It has been argued that Mondragon's economic success in the early days was due to the Spanish boom and a protected economy. While there may be a certain amount of truth in this, the boom took place four years after the formation of the first co-operative in 1956; this was a year of political and economic crisis and during the following four years, the Spanish economy was extremely sluggish and went into recession in one year although there were import controls; hostility from capitalist businesses and financial institutions was a further problem. During that period, however, the co-operatives grew rapidly and seven new ones were formed.

The growth rate has been consistently high despite dramatic changes in the Spanish economy, initial capitalist hostility, and changing local circumstances. However, the current recession in the Western world has produced extreme hardship all over Western Europe and has produced an official unemployment rate of 17.3% in Spain at the end of 1979 (15).
The current (and real) rate is undoubtedly higher, and the chances of Mondragon maintaining its promise of job security, while capitalists crash about, seems rather remote. But the Mondragon strategies of job retraining, labour redistribution*, federalisation, and innovation, turning concealed unemployment into an advantage, merit much closer study and wider recognition, (similarities with the Japanese jobs for life contract and their economic performance are apparent).

The outcome of the second problem - the unions - will be equally interesting. Up until 1977 unions were banned in Spain. Since then the battles for membership in co-operatives and recognition have been less successful than in capitalist concerns. In the Mondragon co-operatives they remain unrecognised with no internal union representation of members, and indeed a very low membership (3% in 1979 (17)). The main unions are:

Sindicales or works councils - official state run unions now being radicalised through grass roots agitation.
UGT - Union General de Trabajadores (socialist)
CNT - Confederacion Nacional de Trabajadores (anarchistic)
Workers Commissions -(linked to the communists)
and the Local ELA/SVU - Euzko Langileen Alkartasuna/Solidariedad de Trabajadores Vascoc (Basque nationalist/socialist)

There are several reasons why unions have not yet been readily accepted within the co-operatives. For instance political solidarity strikes are legitimate within co-operatives whereas work strikes are not. Many workers are not sympathetic towards the unions (all workers are represented through the democratic structures of the co-operative); they find union ideology too abstract and a possible threat to their economic interests. Several unions in one co-operative would complicate organisational procedures (only likely if unions develop along occupational lines). Also, the ownership of capital and distribution of surplus are both more individual than collective and the unions view on this may be problematic. In any case, the social council already performs many of the functions of a trade union, presenting demands and grievances to management, and exchanging information between workers and management.

*Note - There have even been cases during the current recession where staff workers have been relocated to line work. This kind of flexibility is best seen as the other half of the job security bargain; the workers are quite able to assert their economic interests, at a recent (1980) AGM a proposal to plough back worker dividends for one year only was defeated.
If they do become accepted, the unions would have very good access to information within co-operatives and could become very powerful through representatives on the various councils. In addition, not only would they be able to act at the federal level but at a higher level they could also represent workers in all co-operatives and thus exert considerable pressure on individual co-operatives, secondary co-operatives and most important, the bank. On the other hand the unions see the concentration of power in the hands of technocrats in the co-operatives, federations and the bank, as antithetical to the interests of the workers and the original democratic ideals of the co-operative movement. Furthermore, they believe that the financial structure of the co-operatives provides an economic strait-jacket that constrains the expression of the real interests of workers. They also point out that elections to boards and councils, and many major decisions are not adequately publicised and discussed.

It is perhaps significant that the co-operative where union activity has been most fertile is the very large co-operative, Ulgor, where scientific management, sheer size and remoteness may have made the need for representation more apparent. However, the role of the union in smaller co-operatives may have to be carefully considered (and modified) if it is to appeal to the workers.

The third age problem concerns the withdrawal of funds by retiring workers. Workers have a considerable capital stake in their co-operative. Firstly they must make an entrance contribution (currently about 250,000 pesetas or £1500), payment of which may be spread over 2 years. Twenty five per cent of this stake is not redeemable; the remainder is credited to the member’s capital account, and is supplemented annually with a proposition of the surplus. To ensure adequate funds for investment, member accounts can only be drawn on when the worker leaves. The full amount may be withdrawn if the worker retires, otherwise the amount withdrawable depends on the reasons for leaving. For a member who retires after 25 years, the capital account may be as much as 3 million pesetas (£17,000) or over ten times the current entry contribution for a replacement worker. This is only a problem if the age structure within the co-operatives is such that a large number of workers will be withdrawing their funds within a short time. If the current recession continues and prevents the continual growth of the movement, 25% of the workers will be retiring within 5 years around the year 2010. Alternative strategies being considered to deal with this include modifying

† conversations with local union leaders (ELA-STV) September 1980

- 20 -
the terms and conditions of entry, maintaining links with the
retired through schemes that cater for their needs and interests,
and further growth. The problem could also arise should there be
a crisis of confidence in the co-operatives, though current exit
rules and community support reduce the effects and likelihood
of this.
There are two sets of questions which my research has been aimed at, and I would argue that any assessment of worker co-operatives must address these two sets of issues.

The first is the effect of co-operative organisation on industrial relations and on efficiency. In other words, can Mondragon's success be attributed to its co-operative organisation rather than other factors, and by other factors I really mean things like good conventional management, or access to capital markets.

The second set of issues should address the questions relating to Mondragon's replicability and also its sustainability. Can Mondragon or Mondragon style co-operatives be replicated say, in the United Kingdom, and will the co-operative in Mondragon continue? Let's look at these questions a bit more closely.

How and to what extent can Mondragon's initial success be attributed to its co-operative organisation? The first thing to point out is that theoretically co-operatives could enhance efficiency in any enterprise in three basic ways.

First, if a co-operative succeeds in promoting high trust relationships between workers on the one hand and managers on the other, and if a co-operative inhibits the alienation of workers from the owners of the means of production, then there will be spin-offs in industrial relations.

Secondly, profit sharing by the entire work force, generates pressures for horizontal control. In other words peer pressures between workers may support rather than frustrate vertical control structures which are found in private enterprises.

Thirdly, at the individual level stronger monetary incentives, if coupled with an appreciation of the role of discipline and work effort in the success of the enterprise, might be expected to encourage self-discipline.

The survey results and the interviews that I conducted in Mondragon do suggest that there is a very significant relationship between the success of the co-operative and these types of issues. Now to assess the difference between the working conditions in Mondragon co-operatives and the working conditions in traditional firms, I asked similar questions to the people in a co-operative and a control group in Mondragon. These questions focussed on how workers perceive their environments. To give an example, I was
interested in whether workers felt prevented from voicing grievances or voicing their own opinions. I was interested in the gulf perceived by workers between managers and themselves, and in the potential role of trade unions within both types of enterprise, within the co-operative and within the conventional enterprise.

Responses to that survey indicate a much more favourable industrial environment in the co-operatives which can plausibly be associated with internal efficiency. I found that the co-operatives appeared to maintain unusually high trust relationships between managerial and non-managerial members. Conflict which typically accompanies hierarchical control appears in the co-operatives at a relatively low level. I also found in the co-operatives that there was little disagreement over the necessity for discipline although the general view both from the people within and outside the co-operatives was that the discipline which the co-operatives used was very strict. I also found that there was a significant horizontal reinforcement generated as a result of worker shareholding, and further that there was a definite appreciation of the role of effort in the success of the enterprise. This too was the result of shareholding. Although formal supervisory responsibility of both the co-operative group and traditional firms in Mondragon are quite similar in profile, and although both groups accept the importance of effort in success, I found that mutual encouragement by workers i.e. workers encouraging each other to work harder, was far more prevalent in the co-operative group than in the control firms.

It is important to underline that Mondragon isn't perfect, that there are disenchanted workers and individuals and factions within Mondragon, but, a generally favourable picture emerges from Mondragon showing a strong association between the co-operative organisation and efficiency.

So we can say that Mondragon appears rather successful when judged by the first set of questions. Mondragon's success does appear to owe a considerable amount to its co-operative organisation rather than to other factors, like access to capital markets, traditional management and so on. The next set of questions seems obvious. Is Mondragon replicable? Can we use Mondragon's style of co-operatives in Britain? Will Mondragon continue?
I shall discuss these questions by considering three potential barriers to the replication of a Mondragon style co-operative and to a co-operative economy in general. The first barrier is ethnicity, the problems of 'Basqueness'. The second barrier is associated with employee mobility, and the third barrier is the role of screening in selection of potential co-operative members. Ethnicity or 'Basqueness', has been held by many people to be of great importance to the success of the Mondragon co-operatives. It has been argued that its cultural and political features provide a foundation which is receptive to the ideas of self-management. The significant cultural features include: a high propensity to save relative to other working groups in Spain; a high trust relationship between the Basque people which is generated by drinking clubs and by political factors. The substantial repression of Basque cultural activity may have provided a binding force and created a consensus between the Basque people. It has been suggested that in the absence of such unusual circumstances, successful co-operatives will not be generated.

I would argue that this is not such an important factor as people have suggested. 'Basqueness' is after all a subjective rather than an objective concept. Historically the Basque country has always drawn and assimilated immigrants and there is no formal distinction between Basque and non-Basque. In the co-operatives the real distinction is between those who have integrated themselves with the local community and those who have not. On the question of mobility, results from my survey argue against 'Basqueness' as a determining factor in Mondragon's success. So if 'Basqueness' does not inhibit replication, then what does? What stopped the co-operative type of organisation from being replicated in the United Kingdom? I would like to suggest that a more significant obstacle to the widespread establishment of Mondragon's style of co-operatives, is the difficulty of reconciling that model with labour mobility. It is significant that Mondragon emphasises the degree of integration into local communities. This community-co-operative link might be important for several reasons. First, co-operative solidarity could be cemented through social non-work contact, generating a familiarity and generating a high trust relationship between the members of the co-operative. Secondly, strong community ties between the co-operatives and their surroundings could lower mobility and reduce the desire of members to withdraw their capital while working in the enterprise. Labour and capital mobility are very important as they bear on the equity constraint facing the co-operatives. The total capital stock of an enterprise may be considered as being composed of loan capital and equity (or individual resources). The equity must remain in the hands of individuals or in the hands of the co-operative members for them to be capable of taking autonomous decisions.
In the long run the problem is to maintain sufficient equity to accommodate technical change and sustain growth. It can be argued that regional populations with low mobility as in Mondragon and indeed in certain parts of Wales and Scotland and England, are possibly less inclined to desire to withdraw capital from their enterprises. Withdrawal of capital by existing members may be limited, but it is limited by regulation only, of course, if the members actually maintain a consensus on the desirability of limitation of capital withdrawals. Individual capital must be withdrawn by retiring members if the control of the firm is to remain in the hands of the people in the co-operatives. If that rule did not exist there could be a return to a conventional enterprise over a period of time, as happened in the co-operatives in the Washington State Timber Mills. If new members of the co-operatives are unable, or indeed unwilling, to replace the equity which is withdrawn by retiring members, then you can understand that the equity per person ratio would decline. On the other hand, reliance on socially owned equity is likely to reduce incentives, especially to reinvestment of co-operative assets. This is clearly the case in the Yugoslav situation where the socially owned capital is seen as a major dis-incentive to management in Yugoslavia.

So there are some of the problems which are associated with co-operatives and co-operative economy concerning the issue of labour mobility. We have a situation whereby the equity of a co-operative is owned by individuals which is important if they are to exercise control of the co-operative, and in order for the co-operative to be successful, it must try to prevent worker mobility over very long periods in order to maintain that equity inside the enterprise. And clearly this is more feasible for example, in areas with low levels of mobility rather than in areas with high levels of mobility.

I would now like to focus attention on the screening of new members of the co-operative as an important factor in Mondragon's success and an important factor in the problems of actually replicating it. Two types of screening of potential members can be distinguished. The first is a social screening and the second a monetary screening. To the extent that these barriers of screening reduce entry of workers and reduce entries of workers with a history of unemployment and a history of job change, or some kind of non-co-operative value system, then Mondragon's success may not be duplicated by translating the organised rules. I would argue that there is a major danger of looking at the organisation structure of Mondragon and trying to replicate that structure of rules, and thinking that success will emanate from it. I would argue, as a point of discussion, that you cannot go to Mondragon,
learn the rules and replicate them here, and expect success to follow. That will not happen. In all co-operatives, screening on entry takes account of variables not strictly related to the task at hand, and in addition to obedience and regularity, Mondragon's selection also emphasises attitudinal variables. In drawing up short lists of potential applicants, the most important of such variables is integration both within the local community and into the co-operative itself. Following acceptance, a worker undergoes a trial period of some six months, and during that period a foreman's report will stress quite heavily the potential of the member's acceptability. That is a very powerful social screening mechanism of the potential workers in Mondragon. They are accepted only if the co-operative feels they are socially acceptable, both to the enterprise, and to the local community.

Monetary screening is induced by the co-operative requiring a down-payment and the potential of freezing a part of this down-payment by management should the potential member want to leave. The average contribution is equivalent to approximately one year's pay of the lowest paid person in the co-operative, and a proportion of that must be paid on entry. The effect of the social and monetary screening seems to be to cream off for Mondragon special people who are prepared to support and legitimate the vertical control structure of Mondragon. It also appears to generate a horizontal control structure. For example, a worker monitors his fellow worker because his investment is going to be affected by the effort of everybody around him. This has quite substantial efficiency pay-offs for co-operatives as opposed to conventional firms.

In many respects the quite remarkable co-operative experiment of Mondragon demonstrates major advantages for a co-operative economy. I have pointed to its consensus building and efficiency. These are two major issues which come out of the surveys I carried out. I have attempted to introduce into the discussion today some of the barriers to setting up a co-operative economy and some of the problems associated with replicating Mondragon-style co-operatives. My conclusion is that the barriers are substantial, but they are very different in nature from those frequently cited by people who have actually looked at Mondragon. 'Basqueness', I would argue is not a major problem. More problematic is the linkage between the co-operative enterprises and their communities, and the problems associated with labour mobility. In Mondragon these factors first contribute to the maintenance of consensus and secondly, they partially insulate the co-operative from competitive pressures of external labour markets, so permitting if you like a more compressed payments scale. Thirdly, limitation of members' horizons, actually helps to retain the capital within the enterprise.
by reducing the desire to remit capital to distant areas other than Mondragon itself. Fourthly and finally, low labour turnover is vital. It is vital for the maintenance of co-operative equity capital, and to give you some idea of the magnitude of that, the computations I have done suggest that for an attrition rate of 10% of workers of any enterprise moving out (which is low compared to traditional enterprises), there is a corresponding drop of 30% of the equity capital of an enterprise.

The final problem is associated with labour turnover, and I suggest that the lack of labour turnover is crucial for the maintenance of the co-operative equity capital. The co-operatives’ survival may not be easy in a fluid labour market where you have general labour mobility and where you have changes in technology.

To conclude, I have suggested that there are efficiency gains to be made from the co-operative, but these efficiency gains are associated with mechanisms which emanate from the co-operative organisation which brings about high trust relationships in the co-operative. The screening creams off workers, and legitimates the vertical hierarchical control structures to be found in Mondragon whilst generating a horizontal informal control structure which seems to be associated very strongly with efficiency gains. I have pointed to some of the problems of replicating this success and suggested that one of the problems of replication is not, as people traditionally think, associated with 'Basqueness', but really associated with mobility of labour. In order to have a successful co-operative labour must be immobilised over a very long period of time. Since there is a very sensitive relationship between the individual equity holdings and the total equity held by the co-operatives, then there are problems of replicating Mondragon in societies of high mobility rates or potentially high mobility rates.
Discussion*

Alan Taylor (SERA)

There is an additional constraint to the applicability of Mondragon ideas, particularly in Britain, which relates to how one is judging their success. Keith Bradley has talked about success very much in terms of conventional business efficiency and resolving problems of industrial relations. I do not think the people who started the co-operative movement in Britain or people in the majority of co-operatives in Britain would recognize those as being their objectives. They would be talking about objectives which are external to the co-operative. The Rochdale Pioneers after all were about getting round truck trading and about getting unadulterated food at fair prices, and the same kind of motivation seems to be involved in most co-operatives I have been aware of. The objective is not efficiency but to produce products that meet the needs of the community. This is one of the big problems with Mondragon because in ideological terms, many people would see it as a way of getting workers to accept the values of capital, rather than change them. Mondragon seems to be about getting workers to accept what was described as a vertical control system, in other words, accepting values set by the need to collect capital and make a profit. Those values are not very widely shared in the working class movement in Britain, or in the Trade Union Movement. So we have a value system predominating among co-operatives in Britain which I think is in conflict with the type of objectives which Mondragon has set itself.

Keith Bradley

The research I carried out suggests a different motivating force. I am not relying totally on the Mondragon experiment, but I am thinking of the work I have done on producer co-operatives in Canada and the United States, France and in Britain. I find that although there may be a small group that subscribe to co-operative ideology, the major motivating force behind the workers who start them up is not ideology, but desperation. Desperation out of losing their jobs, and they are prepared to support a co-operative type of organisation, providing that organisation is going to offer them the carrot of maintaining their jobs.

*Discussion is edited, contributors are named where identification was possible.
Roger Spear (C.R.U.)

I would like to put the last comments in a different context. I don't see co-operatives as being of one particular type. The kind of co-operative which develops at a particular time and place varies according to a whole range of factors, the formation process, the community and culture in which it is embedded, and so on. For instance the traditional co-operatives in this country are very different from the radical co-operatives which you get on the west coast of America or the kind of counter culture co-operatives in this country. Then again the sort of liberal democratic co-operatives such as Scott-Bader and Michael Jones are very different from the job saving 'defensive' co-operatives, like K.M.E. So I want to point the discussion towards looking at the plurality of different types of co-operatives. The importance of that is that you will have different ideologies, whether it's the economic ideology, or different types of co-operative ideologies.

This leads on to the kind of things which Keith Bradley was talking about. An important factor for sustaining the co-operative's sector is the link between the community and the co-operative. But the relationship is not one way and it will develop to the extent that the co-operative can promote its ideology within the community. In addition communities are not all the same and the extent to which a co-operative's ideology is compatible with the community and its cultural values will determine how successful that co-operative is.

Thus there are a whole range of co-operatives which are suited to different types of communities so it is necessary to adopt a contingency approach. For instance, I am sure there will be co-operatives where the ideology of product choice and quality of life is very important, and those co-operatives are likely to succeed where the community has similar sets of values, so that the community can sustain the co-operatives and maintain those values, maintaining the supply of like-minded workers and so on.
You talk about high trust relations in Mondragon co-operatives and the various factors you thought attributed to them. I found that extremely interesting. My question concerns the fact that obviously the control group of companies and the non-co-operative firms vary in the extent to which they generate high trust relationships, and some firms although commercially owned, have succeeded in generating high trust relationships. So the question is, "were you in any way able to get some kind of a feel of the extent to which the high trust relationships within the Mondragon co-operatives were generated by their ability to retain their competent managers, even as I understand it, at less the going rate in some cases? To what extent is this a function of the training in competence and length of stay of management in the co-operatives?"

Keith Bradley

Yes, I would say it is. One of the things I was interested in was to look at the perceptions of co-operative members on how they see guls between management and themselves. One of the interesting things that came out the survey was that the people who perceived very little gulf between managers and themselves in the factories, also were the people who perceived little gulf between themselves and the managers in the community. There did seem to be some form of association between the communities and the behaviour of people inside the co-operatives. In order to look at that question further I decomposed some of my data and the second survey I did concentrated on co-operatives in Mondragon itself. This is important because, as the BBC Horizon Programme film about Mondragon showed, Mondragon has all the manifestations of the success of the enterprise. There are the schools, the polytechnic, the social welfare system, and the bank which are impressive and which people see and know are beneficial to them. I looked at a group of co-operatives outside Mondragon, elsewhere in the Basque country. I was interested to find out the difference between the way the two groups of people perceived their relationships in their co-operatives, bearing in mind the different communities with which they were associated. I found that there was a higher degree of disenchantment among the co-operative workers outside Mondragon than there was in Mondragon itself. This manifested itself in the fact that those workers who were disenchanted were the ones who were more critical of management. They tended to be more inclined to see their future as being helped by trade unions as opposed to something else, and they were the ones who wanted to withdraw their capital or wanted to leave. In due course there could be substantial problems for maintaining harmony within the enterprises.
John Watkinson (BBC)

I would like to ask this. It relates to the question of whether the Mondragon experiment can be repeated in this country. It seems to me the crucial element here is the capital base of the co-operative and the markets which are available to them. Now if you look at the co-operatives in this country or the so-called Benn experiments you have mentioned, their main problem was undercapitalisation and the failure of the market. To what extent is Mondragon successful because it is operating virtually within a closed economy? Is it within a closed economy? Does it compete successfully outside that charmed circle in the Basque country? Are not these two elements (the capital base and the markets) the crux of the issue?

Keith Bradley

Yes I think you have put the finger on it. It's quite an important point. On the first part of your question - I think the Benn co-operatives were purposely under-financed by treasury intervention on that deal and the conditions that were put on the loans were such that the current Government was offered a way out of a political problem without costing itself too much money, or any money at all. I think it was a cynical deal emanating from the Treasury. The other point you put your finger on was an important one. It is fair to mention that the success of Mondragon did take place in a booming protected Spanish market. However, it outperformed conventional firms operating under similar conditions. It now faces some problem adapting, as do other conventional firms, due to the breaking down of those kind of tariffs and to the entry of Spain into the Common Market.

The third part of your question, concerning the financing of the co-operatives is crucial and particularly interesting for those people who are thinking of replicating Mondragon-style co-operatives in Britain to combat unemployment. I would argue that certain groups of unemployed people are desperate and these desperate people are in receipt of redundancy money. If you offer them a carrot of sinking their money into a co-operative and if they don't have any other alternative avenues of employment, or they don't perceive any other alternative avenues of employment, they may take it.

The attitudes of these workers to the co-operative is going to be one of employment, and not as you have got in Mondragon, a kind of co-operative spirit. In the future, this might have serious implications for the viability of those particular co-operatives. For example, if the market changes and the workers want to pull their money out and move somewhere else when they perceive better employment opportunities; then there are problems.
The other point to notice is that one of the major things before the Mondragon co-operatives take over an enterprise or start a new enterprise is that they do their homework on the market and that homework often takes two years, and also they have available capital through the bank. Now the problem here in Britain is that the real problems of setting up co-operatives (which haven't been investigated too clearly) are looking for products which those co-operatives can make and looking for markets for those co-operatives. It could be argued that it is socially irresponsible to coax desperate redundant workers into co-operatives and let them sink their money into it, therefore, shifting the risk from finance capital to individual capital without providing the markets for them to be sustained. Maybe the government and other people should be spending more time looking into these issues.
I want to speak about the Wales T.U.C.'s proposals on co-operatives and introduce some of the thoughts that arose out of a recent visit which we made to Mondragon with a group of trade unionists sponsored by the Wales T.U.C. Three of the group of five were actively involved in forming co-operatives or working in a co-operative, two had experience in co-operatives, and three were unemployed. I would like to spend time at the end, outlining the main thoughts that arose from the trip to Mondragon, particularly what the trade unionists saw as being transferable to Wales and their own particular environments. To begin with I will give a very quick sketch to the background to the Wales T.U.C.'s interest to show how an important political and ideological shift might take place around this particular initiative.

It is no great surprise that we have faced a deteriorating employment situation in Wales over the last ten years and particularly in the last two years. At the beginning of 1979, a small group at the Wales T.U.C. realised that we were going to be fighting a series of losing battles in the next two years over plant closures which were going to boost unemployment in Wales very considerably. I am unhappy to say that our forecasts on unemployment were very accurate and, it became obvious that we needed to look at rather more radical and unorthodox initiatives to spearhead something of a fight-back against mounting unemployment in Wales; and one of the questions we asked ourselves in 1979 was how we could mobilise redundancy monies into more productive use, and specifically into promoting worker enterprises, co-operatives, small businesses, call them what you will. At that stage we didn't look to "co-operatives on the Mondragon model".

Besides unemployment, there is another aspect characterising the Welsh economy (and also the economy of regions of the U.K., Europe and elsewhere). It is an economy which is very dependent on governmental support; it is very much a 'nationalised economy' where there is a higher proportion of nationalised companies, or public sector companies in Wales, than elsewhere in the U.K. Also the Welsh economy has a heavy involvement of branch factories from multi-national companies and major conglomerates in the U.K. that have the reputation at least of closing down their branches in the regions when the going gets tough - that has certainly happened in the last two years. We were very clear that we would like to break that dependence in some way on external capital and external economic support.
U.K. regional policy in the '60s and '70s failed to generate anywhere near enough jobs; and has never generated enough jobs to meet the number of young workers - and women workers - who are coming on to the labour market every year in Wales, let alone those being displaced by redundancies and plant closures. The best that U.K. regional policy has done in Wales is to generate somewhere between six and eight thousand additional jobs per year. That was in its heyday; it is certainly not doing anything near that at the moment. Consequently unemployment in Wales rocketed in just over twelve months, from about 85,000 to 140,000. The first three months of 1980 saw notified redundancies up four times on the previous year. So the job market was collapsing quickly and regional policy has failed even to put a bulwark into that collapse.

In addition to regional policy, a number of special agencies have been set up in Wales to try and bolster what is clearly a collapsing economy. The Welsh Development Agency was set up with a great deal of hope, as the perpetrator of risk and venture capital into the nooks and crannies of the Welsh economy. It has instead become an industrial landlord and property developer. It has not backed any co-operatives, even though it is supposed to give co-operative ventures the same treatment as any other venture that applies to it. The co-operatives that we have talked to, both putative and the ones that are going, have been shown little interest from the Welsh Development Agency.

The Co-operative Development Agency equally can be criticised. It is in London, at arm's length from Wales; also, it can only offer advice to co-operatives that usually have plenty of good advice available locally from co-operative development agencies. So the C.D.A. has been a disappointment to us in Wales.

The other sources of cash, advice and so on to worker enterprises, such as the Welsh Office Industry Department, have again been almost totally ineffective. The main need has been for cash injections into industry and none of these bodies has provided enough to make an impact on the jobs crisis in Wales.

The only agency in Wales that has done anything to assist co-operatives, in the T.U.C.'s view, is the Development Board for Rural Wales. This agency has a very small budget and is limited in what it can do. But it has a dynamic and enterprising executive board who do care, it seems, about trying to sponsor co-operatives in rural Wales.
On top of the failure of regional policy and the special agencies, there have been closures at the major steel plants in Wales: East Moors, Ebbw Vale and Shotton. These have given rise to bitterness among the communities affected and requests for some sort of help in trying to galvanize the monies that were available into viable enterprises. Despite a lot of energy by government agencies put into the problem of job loss in these areas, little progress has been made.

Outside of that nationalised sector of the steel industry the T.U.C. was approached, for example, by a group from Triang when that collapsed and a much smaller plant doing retreads of rubber tyres. The workers in both wanted to use their redundancy money and their skills to form a co-operative, and in both cases we tried very hard. (One registered as a co-operative but is having great difficulty in getting off the ground). But that experience told us that existing agencies were not working: they were not sensitive enough to the need of co-operatives. A new focal point had to be set up with some political clout and some credibility with the workers if community resources were to be mobilised effectively.

It is important to note that the amount of redundancy money paid out in Wales in 1980 was over £53,000,000; that is more than the W.D.A. had ever invested in its entire existence. It is a very moot point where that £53,000,000 has gone: a lot has been invested in Messrs. S. A. Brain's in Cardiff (manufacturers of fine ales); and the local discount houses have done very well. But there is a very sad part to this as well; any worker with more than two thousand stashed away loses his or her rights to supplementary benefit, so there is a direct government incentive to spend your redundancy money.

Our proposals are based on the Mondragon experience. We have proposed that we should set up a resource centre. It would be established under Wales T.U.C. auspices, i.e. rooted directly into the trade union movement in Wales. We have a very clear vision of how that resource centre would then interlock with the local agencies and the voluntary movement. First of all it would provide political weight, which is not normally associated with local development agencies; secondly, it has slightly more credibility in the eyes of groups of redundant workers.
Alongside the resource centre the T.U.C. sees the need for an independent investment fund and we toyed with the idea that we should have a T.U.C. bank; we toyed with the idea of calling it a worker investment fund. This would provide a repository for redundancy monies, but also labour movement monies. The trade union movement has got about a hundred and twenty million pounds of assets, half of which is probably invested in places which the labour movement would consider ideologically unsound, so there is labour movement money available which could be redirected.

In other words, the T.U.C. believes that a resource centre which just offers advice and skills is really not going to provide all the answers. What we do need is a fund and the staff to administer it, subject to the right sort of scrutinies and checks, on terms and on payback periods which are not going to kill off the co-operatives. Mondragon has taught us that interest rates for co-operative loans must be trimmed and payback periods established to suit the particular enterprise.

We (at the Wales T.U.C.) are currently undertaking a feasibility study which the Welsh Office have largely funded with a contribution from the W.D.A.

What are we hoping to prove? What are we hoping to achieve?

I think we have established that there is a real chance that community resources can be mobilised by some sort of credible focal point such as a tradesman resource centre which would harness the technical skills that the community has within it, in its universities, its redundant management, its redundant workers, and so on, in order to restructure the skills and jobs in the area. Also we recognise the need to examine more attractive ways of utilising existing schemes, for example the Manpower Services Commissions have a useful programme for training within industry. Nobody has ever approached them in Wales, to my knowledge, to send some of their trainers in industry into the co-operatives, and more importantly, to send some of their trainers with management skills into some of those putative co-operatives, to actually go along and help develop the early management systems which are important.

Finally, I would like to run through the responses of the trade unionists that the T.U.C. took to Mondragon. First of all it has to be emphasised that everybody said "Well it is quite obvious, having been here for a week and seeing how it works and seen the influences that have brought it into being, that you can't just
pick it up and transfer it to Wales lock, stock and barrel; there are too many historical and cultural differences in so far as Mondragon is concerned". Every trade unionist in the group agreed that a major change in attitudes at home would be needed to make a similar co-operative system work. But, they also said: "We think it can be done. We think that attitudes can be changed and we think that three million unemployed is rather like the noose round the hanging-man's neck. It will concentrate minds wonderfully and attitudes will change, provided we give them the right guidance".

They recognised that forty years of Franco, forty years of fascist repression provided a common bond, a common spirit, and a common purpose in Spain. In Wales the people of the North and the South don't talk to each other. This is a problem that would have to be dealt with. But more important, the trade unionists perceive management in a very different light. Managers in Mondragon appear to be appointed on entirely technocratic grounds, but then later become true co-operators and because wage differentials were pegged at three to one (very exceptionally four and a half to one) our people started to see that management actually was a function, it was a job and not just an office and a desk that you threw things at occasionally. It was an important part of a co-operative which needed to be given the right to take decisions and see things through.

They were very impressed by the management accountability built into the co-operatives at Mondragon, through the monthly meetings. Whilst they realised it was very essential to the Mondragon system, they could see no major problems in co-operatives where there was strong trade union organisation. They thought that with strong trade union organisation within a co-operative, the same level of influence could be maintained with a technocratic management and, provided that there was the right sort of agreements on information disclosures then they thought that there would not be any problems. So, they didn't perceive this question of management authority (at least the five we took) as being a major problem. In other words, the trade unionists saw a working system in Mondragon which they thought could be grafted into a well organised collective bargaining system in the U.K.

They all saw the advantage of a high profit plough-back and the importance of maintaining the capitalisation of the company and the possible damaging effects of decapitalisation, either through labour turnover, or through a crop of retirements (which is in fact what some of the Mondragon co-operatives are now facing - the first rash of retirements that they have ever seen in twenty-five
years - and the possible decapitalisation prospects are exercising the banks not inconsiderable talents at the moment).

It was agreed right across the board by our group that the trade union movement in this country should back co-operatives fully and that the only way you could get this backing would be to guarantee absolutely unequivocally that trade union terms and conditions would apply in co-operatives. The group was satisfied that the terms and conditions that applied in the Mondragon co-operatives were the ones that were negotiated by the trade unions locally, if not directly in the co-operative, they were certainly negotiated locally in the industry. A great deal of detailed questioning around this point went on, as you would expect from active shop stewards.

Also, the question of labour mobility came up on a number of occasions. They asked if the Mondragon rule whereby accrued profits cannot be taken out of a co-operative before a person retires, locks a worker to a job for life; it was questioned whether such a rule would be accepted in the U.K., where workers are used to a certain amount of freedom and labour mobility.

But again their conclusion was a pragmatic one. Most of the group argued that unemployment locally was running at twenty per cent, so the question was probably unimportant. If you control the organisation, if you are actually the masters and mistresses of your destiny, then I think this question of immobility takes on a different light. But it was seen as a possible bone of contention particularly by the woman that we took with us from a clothing co-operative. When asked, "Do you think your comrades would be happy with accruing your profits and not taking it out until you all retire?", she thought about it and at first said "no", she thought that some of the profits would have to be paid in the form of an annual bonus; but by the end of the week she agreed that she was not sure whether or not the profits should stay in the firm.

It seems to me that too much is made of this question of whether or not profit share locks the worker into a job. I believe that if the job is a good one, if it is providing adequate terms and conditions, and if unemployment is running (as it is in Wales) at fourteen per cent - and even higher than that in certain black spots - then the British worker will not really want to leave a job anyway. I mean, we are not living in fairyland, we are living in Bargoed and Fernwood.
The group saw a very clear role for trade unions, even in Mondragon, and we had a long discussion with the local leaders of the Basque Nationalist Party trade union, ELA, on this question who also saw a clear role for trade unions within the co-operative movement. There were no points of doubt in their minds at all and indeed the issues that they started to crystallise around were issues that we recognise every day. For example, we asked if, with their democratic structure, they needed a formal trade union organisation. "Yes", they said, "because although there is a democratic structure, although we meet management monthly, we are not too sure whether these technocrats are in fact passing on all the information, or whether these technocrats are in fact listening to what we are saying". Well, I have heard all that before many times in many eye-ball-to-eye-ball confrontations in the U.K. Information, lack of trust, somebody holding out on somebody else creates so many industrial relations disputes that you do recognise it as a common element.

The Mondragon trade unionists in their turn asked "What sort of co-operatives are you going to run co-operatives, or socialist co-operatives?" This question reflected a debate that is now starting to emerge in the trade unions in Mondragon and which has also begun among the trade unions in the U.K. It is the debate around how to move enterprises, particularly co-operative enterprises, into the field of producing for need or socially useful products, instead of just churning out yet more consumerist junk. If a co-operative is churning out consumerist junk, what is the difference between that, and churning it out from a private enterprise company in terms of what that product means to the rest of the world? I believe there were echoes of the Lucas Aerospace alternative corporate plan starting to form in various Basque trade unionists minds.

One part of the Mondragon system which our group thought could be transposed easily into Britain was the induction training system; the very root of Mondragon is the apprenticeship system. Our group was extremely impressed with the two year craft skill training; the trainees worked in the student co-operative in blocks of three and four days doing real work, getting real pay for it. Many suggestions were made that we could actually graft this on to the existing training workshops schemes run by the Manpower Services Commission, or certainly by the future proposals that the M.S.C. are making.

I conclude by saying that this initiative in co-operatives is important ideologically, because it does represent the shift of a trade union organisation - a political trade union organisation - away from a traditional defensive posture, into what I hope is a more creative more constructive and, dare I say it, more socialist posture.
Chris Logan (Wales T.U.C.)

In my introductory remarks perhaps I ought to indicate that the historical connection between Mondragon and trade unionism is a very real one. Many people view Mondragon from a variety of ideological perspectives, but it should be said straight away that the ideas of the Mondragon co-operative movement emerged during a debate which was held in the Basque provinces between the Basque Solidarity Union (E.L.A.) and the Basque Nationalist Party in the 1930s about exactly what sort of economy they should have. The Basque Nationalist movement had rejected the capitalist economy and the collaboration between the Basque oligarchy, and the Franco years reinforced this, even though unions did not exist. So there was a definite ideological perspective which emerged and that was concretely agreed in the Third Congress of the Basque Solidarity Union in 1933.

The second thing that I would like to stress in talking about replicating the associated co-operative movement in Mondragon and transferring that to Wales is concerned with small communities and labour mobility. I consider that the communities in the Welsh valleys are very similar in certain respects to the Basque communities, particularly in the Welsh-speaking areas of mid-Wales and North Wales. There is a lot of cultural cohesion and very little class differentiation, exactly as in the Basque valleys. Equally, anyone looking at Mondragon today, of course, sees a large modern town, with certain Manhattan aspects in some respects, but if one remembers that in 1943 Mondragon had a population of 4,600 and was dominated by one company in the town, then you can very much see the sort of situation existing there which is typical of any Welsh valley, the Rhondda, or Ebbw Vale, or any of those valleys in South Wales and North Wales.

We have been encouraged by the historical experience of the Basque co-operative movement in mobilising the assets of the community, both human and financial, and we believe that on the basis of the experience we have had so far, it is possible to do exactly the same thing in Welsh valleys. Denis Gregory has already mentioned the amount of money that is flying around from redundancy. There is also money from other sources, from farming communities and for example, money invested in pension funds and elsewhere could be converted if we develop the right structure for the problem of creating jobs. The primary objective of the Basque co-operative movement from its early inception was, in fact, to create jobs, and major efforts were made to this end in the 1955-1960 period. The aim was to create jobs for Basques, not for Spaniards. That was an important aspect of the movement.
Keith Bradley has already mentioned the selection process that operates in the co-operative, and perhaps I could add one thing: an applicant is measured on a scale of one to a hundred and for skills and attributes, gets a certain number of points but fifteen points would be given for being a fluent Basque speaker. So, if two equally skilled craftsmen apply for the same job, the one who is a fluent Basque speaker will get it. The payroll lists give proof of this showing that the higher up the organisation, the more people there are with maternal and paternal Basque surnames. (It used to be a requisite of the Basque Nationalist Party and the Basque Solidarity that you could not join either unless you had at least one grand-parent who was Basque): it does not apply now, but certainly in the days of the youth of the people who are now running the management centre and the bank, this was definitely the case and so perhaps would give another dimension to the 'Basqueness', non-'Basqueness' question.

Now in the case of the Mondragon co-operatives, the first thing that strikes one is that very quickly after Ulgor (the founding company) was set up, Ulgor decided (and the priest in particular) that a bank was necessary to fund the movements expansion, because retained profits were not sufficient to finance job creation at a fast enough rate. In Wales the problems of finding capital for new starts have led to the same conclusion.

The option of opening a bank has been discussed briefly by Denis Gregory, but I would like to deal with this question more extensively. Under the Mondragon system it is possible for the average costs of a new job to be financed twenty per cent by the government under the Co-operative Law of Franco (1943), roughly between ten and fifteen per cent is raised by individual capital contributions, and the rest comes from long term bank loans. The bank would expect any investment which it made in a particular co-operative to be paid off over seven years. This is in contrast to British banks which will, under extraordinary circumstances make a ten year loan, but they much prefer to make two year loans, rolling forward at very high rates of interest.

In the Welsh context we obviously have to find some sort of transfer mechanism to tap the financial resources of the Welsh community. As Denis Gregory has said, the T.U.C. has considered setting up a workers' bank. This might be possible in the medium term, but in the short term it is unlikely such a bank could be formed, although from a union levy we could raise a quarter of a million pounds, which is what you need to open a bank under the 1979 Banking Act. But if that bank had to finance co-operatives, there would be a very, very high rate of exposure in its investment, such that the Bank of England would oppose the investments.
This is borne out in the experience of other bankers particularly the Co-op Bank, which has a lot of money invested in co-operatives, amounting to four or five million pounds at the moment — in fact half the co-operatives in Britain are associated with the Co-op Bank. But the Bank of England is unhappy about the sums involved, ignoring the funds which the Co-op Bank has invested in other things. The T.U.C. feels that if an investment fund is set up which was entirely worker financed, it would have to raise an enormous amount of money to finance co-operatives, simply to cover itself in order to satisfy the Bank of England, by investing a lot on the Stock Exchange and in the monetary system.

So in the short term the resource centre would as one of its principal roles have to assist people in finding "friendly banks" to fund co-operatives. It is intended that agreements will be reached with banks whereby the resource centre prepares the majority of business plans and other studies, and attempts to raise the amount of money that people need initially. Co-operative members would not be held down to Mondragon rules in all their rigorousness, but they would be urged to put up as much of their own money as possible. In the initial stages £500 to £1,000 is about the minimum a bank would accept before making any overdraft facilities available. Any additional capital (working capital and other capital requirements) would have to be raised from local authorities and banks. However, this could only be raised at high rates of interest which would make repayments difficult and onerous. As far as possible, it would be for co-operatives to depend on their own capital resources at first, and work for themselves to create their own assets. (Decisions on how to share out the net asset appreciation over time, if the co-operative is successful, can be made by putting to the workers a series of options, but basically, they should be working for themselves and not for the bankers.) A rather important qualification on the restrictions of co-operative law is that under ICOM, and other rules, you are in fact working for ICOF and, if you are borrowing at high rates in the short term and not using ICOM, or ICOF, i.e. you are using an ordinary High Street bank, then you are working in many cases for the High Street bank, particularly in the initial years and that we would try and get round very quickly.

The idea of diverting trade union pension funds, which are effectively deferred wages, into special funds held by a bank (for example the Co-op Bank) is being actively studied at the moment. This might enable the T.U.C. to avoid setting up a separate banking organisation. But we could get more sympathetic consideration from the Co-op, and the Co-op could equally keep
the Bank of England off their back (if it was agreed trade union pension funds should not be invested on the stock exchange, or in old masters or in Welsh Development Agency factories, but rather should be invested in co-operatives which are backed by us and funded by the bank and monitored by us in a similar way to that used by the Mondragon bank which does the monitoring of its own investment). Then we might get round some of the difficulties of equity, loans and gearing and the appreciation of assets over time.

To return to Mondragon, it is important to realise that a large part of the success of this co-operative model has been due to Ulgor combining with four other co-operatives for the purpose of creating a bank. The other aspect of the Mondragon model which is extremely successful is the management division of the bank, which operates effectively as a consultancy and corporate planning agency. The co-operative bank requires every co-operative to produce a five year (rolling) plan, a one year plan and management plans. This enables the bank to exert a high degree of co-ordination and control over the co-operatives. This is further reinforced by an insistence on standardised accounting procedures so that at any one time the bank knows exactly the financial position of the eighty three associated co-operatives and what are the real rates of return on the £380,000,000 turnover that they are getting.

The T.U.C. feels that this type of support organisation is sadly lacking in Britain and this is why the British co-operative movement's growth has been relatively stagnant.

In future, the resource centre will offer people products, carry out market studies, carry out negotiations for licences and present business plans to bankers and others for external resources.

The products that we are proposing will come mainly from three sources: the universities and polytechnics in Wales and elsewhere, private individuals who have product ideas; and, of course, (as in Mondragon's in early years) straight licence from any company which is penetrating the British market, or which has a good product which could be sold in Britain. So that is one of the primary functions we see the resource centre carrying out: replicating exactly the experience of the Mondragon people and the bank with a centre of support and high ability to mobilise management skills and give these necessary inputs and training, if necessary, to managers or putative managers of new starter co-operatives. We believe we can get along the line to replicating that model, and success. Ultimately, we hope to plan and develop co-operative groups producing complementary products.
It has already been noticed that similar types of co-operatives are springing up in Wales, indicating that there is a need for this function, to prevent them competing against each other, and to rationalise and engage in common marketing, production and purchasing. As the Basques have found, this would ensure a fast growth of employment and fairly stable and successful business ventures.

We have some objections to the model rules which exist for co-operatives at the moment in Britain. In particular we believe the ICOM model rules are very restrictive. The T.U.C. will try to introduce (after consultation with others) some model rules of our own which would probably differ from ICOM's rules on the thorny questions of distribution of capital, assets, pay-out periods, who owns exactly what, and who appropriates what part of the surplus. It is hoped that our new rules would be more flexible than those of the Mondragon model which, in my opinion, do not suit British cultural circumstances. In particular, and as Keith Bradley has already pointed out, the problem of mobility must be catered for sympathetically although I would qualify what he said by observing of course, that most of the people who work in the Mondragon co-operatives in fact migrated to Mondragon. I should stress that the T.U.C. does not accept Mrs. Thatcher's call for the unemployed in Wales to "look for jobs wherever".

To end I will describe some case studies of four co-operatives which have been set up, or are in the process of setting up, and comment on their difficulties. I think they will show where a resource centre could play a positive role and where the existing institutions have not helped as much as they could.

The first one is the Gylfach: Goch, which is a community training centre. It is run by a retired executive and trains seventy young people in basic job opportunities and skill-learning. The retired manager came all the way back to Gylfach: Goch (of "How Green Was My Valley" fame) having worked for a multi-national. He was appalled at the level of unemployment in the area, particularly youth unemployment and so, together with seven other people (most of whom were redundant workers) he has set himself up on Manpower Services Commission fund to start this centre which will be funded for a year and a half. Then, of course, his big problem is likely to be that everybody will leave as they probably won't get jobs. So he also has a plan for starting a community bakery, making bread and also a type of frozen pâté, or paste which can be put in bags and sold in supermarkets as a quick convenience food. That is a typical project to which our resource centre could give assistance, for instance, in finding a factory, and a site; in acquiring some baking machinery, in finding a baking technologist, and in raising about £100,000.
The other venture that he has is a furniture workshop. We (in the Wales T.U.C.) have put him in contact with an organisation called Co-existence, and we are currently negotiating in Germany for retail outlets for special custom-built furniture of high value, also designers and marketing outlets are being found so that, hopefully, those apprentices who are very skilled with their hands but do not want to work in the bakery could work in the furniture shop. There is a long history of furniture industry in Wales so expansion may be assisted by the good labour supply available from the many bankruptcies and incompetently run capitalist companies.

The "Bargoed Blouse" co-operative was formed by about twenty people joining together after the collapse of a blouse manufacturer. So far they have done very well. They have preserved their jobs and they have begun to develop ideas about community enterprises. However, it should be stressed that they are working as very cheap sub-contract labour. They have one client only and are paying themselves about £40 a week, working a forty five hour week. In addition they have no capitalisation. The resource centre's role would be to prepare the workers to diversify, to find new clients, to cut out the middle-man and do all the things that they really should be doing when they become conscious, as they ultimately will that this £40 a week, forty five hours a week routine is going to continue ad infinitum. If they try and raise the wages the single customer is in the best bargaining position to say "Well, forget it" and they are bust within a month.

A similar situation exists in the other co-operatives run exclusively by women in Wales which are in the textile make-up business. They need to develop their own products and should not manufacture on a sub-contract cheap labour basis. Also they should pay more attention to management. For instance they should spend £25 sending a worker down to the West End of London with products and literature and trying to find a market there, rather than just accepting orders over the phone, and having a pantechnicon come once a week and take the stuff away.

Aberystwyth Engineering is a co-operative which the Wales T.U.C. helped set up in April 1981. Start-up problems were substantial. The workforce had to buy capital equipment and they had to look for finance. The workers themselves managed to raise £6,000; they were all redundant but did not receive large redundancy payments as they had never been on high wages. A further £60,000 had to be found to buy capital equipment and to provide for an adequate cash flow. If the Wales T.U.C. had been involved earlier, it would have given different advice. For instance arrangements would have been made for the workers to lease back their equipment.
rather than buy it; also the T.U.C. would have been able to bargain for them to obtain the equipment from Brockhouse Engineering, a firm pulling out of the area. So it is rather sad that we arrived late at the game; but we are helping them in their medium term plans by actually getting them products.

Finally, I would like to mention Taff Products which sprang out of Triang. One retired executive again, and another inventive designer have formed a small co-operative to manufacture toys which could be used by paraplegics (they even had a request from Malawi for these toys to be sent to a leper colony). That sort of invention indicates once more that the community can possibly mobilise itself, can get resources and with backing from the local council it has been possible for the co-operative to grow up very rapidly.

If, in the ways I have described, a resource centre can assist all these initiatives, suggest products from our own product bank, act as intermediaries in raising finance, and so on, it could certainly replicate directly the function of the Mondragon bank’s management division. In the medium term it may be possible to go further than this. By diverting the Co-operative Bank’s funds into a more amenable structure through our model rules, we might be able to replicate in Wales some of the aspects of the Mondragon People’s Savings Bank itself.
Discussion

Sue Watson - Co-operative Society

I would just like to clear up one small point. Now it has been stated twice this morning and been published repeatedly elsewhere that when workers leave their co-operatives they have to draw out capital. Now when we were in Mondragon we were told this was not now the case (this was 1979). That because, as has been explained, of the rash of retirements, they were allowed to leave their money in; they lost their voting rights, of course and, the money only drew 6 per cent rates of interest but because there is a certain amount of inertia in shifting capital, it did mean that quite a lot of the workers were leaving their money in. I really would like this practical point made clear if possible.

Chris Logan

Well the capital has to be withdrawn over a period of five years on retirement. Up to 1977 they only had a total of seventeen people who had actually retired because the average age of the co-operators was thirty-two and those seventeen people took on average about £15,000 out.

If you have a full working life in a co-operative and assuming the co-operative's track record is the same over the next twenty years as it has been over the past, the maximum capital accumulation would be about £40,000 and the minimum on scale I would be about £20,000. The pay-out period is spread over five years and you accumulate interest on the diminishing balance, but you cannot leave capital in a co-operative after the age of seventy.

Malcolm Pointerby - Co-operative College

One of the points about Mondragon that seems to me to have tremendous implications for anybody (and especially for trade unionists) is the Ulgor strike and what happened as an outcome of it. My understanding of the Ulgor strike is very limited, but I have got the impression (perhaps you can enlarge on this) that it took part in one section of Ulgor and that that section was unable to communicate its problems with the rest of the organisation, and that when things developed into a strike, the only response that the co-operative could manage was to exile the seventeen people whom they saw as chiefly involved. This has got very direct antecedents in English workers' co-operatives where it was quite common apparently in the 1890s and the beginning of the twentieth century for workers' co-operatives to sack an entire
striking section. Now this raises questions which are really of crucial importance: are workers' co-operatives of this kind unable to cope with conflict and is conflict inside the organisation illegitimate? What is the trade union response to this?

Tom Cunliffe - Guardian, ex-C.D.A.

I was very interested that the Wales T.U.C.'s delegation to Mondragon felt that there could be a trade union structure within co-operatives. But the recognition of trade unions within a co-operative is also important to gain recognition and support from trade unions outside. Trade unions could give special assistance to co-operatives for instance by contributing from pension funds to help co-operatives but also, I think in a negative way by supporting co-operatives within the market (in times of a trade dispute for example). But this will only happen if the co-operative movement wants and accepts the trade union role in co-operatives.

Peter Corné - Hackney Co-op Developments

I must admit that the discussion has made me slightly confused about the nature of co-operatives because there seems to be an acceptance of such outrageous norms of four-and-a-half to one in terms of wages; there seems to be a distrust of working class potential to take over and assume managerial roles, the idea of dragging back the managers who have been made redundant along with us - the same managers that led us by the nose through their inefficiency, down to the dole queue - and ploughing them back into the co-operatives and asking them to take over the running of the co-operatives is dangerous; and, I am a little bit concerned that the notion of free collective bargaining can possibly come into conflict with the notion of workers' control of an organisation; the right democratic structures should be able to overcome this problem. I feel the Wales T.U.C. ideas probably point the way forward. At the same time I want to see how they can possibly justify some of the non-socialist aspects of some of the suggestions.

Hilary Wainwright - Technology Policy Unit, O.U.

I wanted to take up one of the points made by the brother who was talking about the external role of trade unions and some of the things trade unions could do to sustain a co-operative sector. For instance when you were talking about the sources of funds for the workers' investment fund, it seemed in some ways regrettable that all the money had to come form either the trade union movement or the redundancy money of workers when in fact there obviously is masses of money around within the companies who are actually making workers redundant. I was wondering whether there has been
any thought given to using trade union power to extend the collective bargaining and get contributions from companies to some kind of workers' investment fund.

On the question of socially useful products, there could be some kind of link-up between workers in a co-operative and public sector workers in the health system and transport to bargain with their local authorities to purchase and provide a "social need market".

Reply by Chris Logan

First management: it was never the suggestion that any manager who has been associated with a failed capitalist enterprise be taken on by a co-operative and I would wholeheartedly endorse the suggestion that working class people have potential to become competent managers. If you look at the founding members of the original Mondragon co-operative, they were mechanical engineers - trained (to HNC-equivalent standard) in the vocational school, and the general manager of the co-operative and the president of the co-operative originally started off working on the shop floor; now one is the chairman of the fifth largest savings bank in Spain, and the other is the general manager. The potential for recruiting managerial skills and training people within the community has been proved beyond any doubt in Mondragon, because the recruitment is almost exclusively internal and they have built up quite a good management structure - a much better managing structure than exists in the capitalist companies in the area, or, in my opinion - (given their economic performance and their social performance) - in most British managements.

Coming on to the factual aspects of the dispute. The Ulgor strike was about de-skilling. It was suggested that a particular assembly line should have new methods of working and that in future, the particular functions that were carried out by seventeen members of the co-operative would be down-graded, in terms of the internal differentials. That was resisted by these people. Although they, personally, did not stand to lose any money because of the change (because it would only affect people who replaced them on that particular function), there was a lot of ill-feeling created by it and 350 people joined a walk-out (effectively a strike).

The management's response to that was in two phases: first they suspended all 350 people. Their recommendation was that the seventeen ring-leaders should be dismissed because they did not go through the works council - Social Council - i.e. they did not go through the agreed procedure. Then management called a general assembly meeting, and ultimately it was not the decision of the
management to dismiss the people, it was the decision of the general assembly - of all the workers in Ulgor (who at that time numbered 1,000 people). It was their decision to endorse the management's verdict that these seventeen people be dismissed and the other people who had joined the strike (in total 350) should be penalised by having their wages docked for the days that they did not work.

That is the factual aspect: I don't particularly want to argue one way or the other, but I would agree that they got themselves into a very strange situation. In those days the works council (the Social Council) was not as powerful a body as it is now; there was more attention paid to what the management and the Board said. I would also add that all seventeen people were readmitted to the co-operatives under a labour amnesty eight years after their dismissal, so they are actually working back in the co-operatives and they were given rights and capital accumulation, as if they had never left.

Denis will say something on the policy recommendations and the other questions which were raised.

Reply by Denis Gregory

To pick up that point about links with the trade union movement - external links to any co-operative: clearly the presence of an internal organisation is very fundamental. I don't think there is any doubt in the heads of the trade unionists that we took to Mondragon, that if a co-operative were to get trade union backing, it would have to have a trade union organisation that we recognised and trusted, which means a formal trade union organisation. I think that is very important in terms of swinging the trade union movement behind co-operatives. To some extent the response to co-operatives by trade unions in the last ten years, has been patchy simply because many of them have been seen to be perhaps anti-trade union in some of their practices (although maybe not in spirit).

The point about how trade unions could sustain co-operatives: it is true that the trade union movement itself represents quite a powerful political levering force and we will obviously put some pressure on the next labour government to make sure of certain legislative changes. But for some time the Wales T.U.C. have been making a number of suggestions to free up capital for this type of employment. We have discussed at some length whether it would be better to use some part of the redundancy fund purely for the
use of worker co-operatives — to formally do that within the provisions of the loan funds and redundancy money which are levied on companies; that is one thing we will be thinking through a bit further.

Similarly on socially useful products, the Wales T.U.C. are about to produce a document called a Social Plan, in which there is a section at the back that talks about how we ought to be redefining economic growth towards socially useful products and it is linked to the general thrust of our thinking on these sorts of alternatives.

Finally there are ways in which the labour movement could provide more support for co-operatives. We have been encouraged in our recent discussions with the Co-op Bank, that they are going to try and do more to put the co-operatives that they are funding into their co-operative retail and co-operative wholesale network. Potentially that is a very, very big network because it extends throughout Europe.

Keith Bradley

I think there is a problem of definition. We are talking about Mondragon and Mondragon-style co-operatives and clearly the definition of co-operative here is where the individuals involved have a certain amount of equity (capital) invested in the enterprises. That has very clear implications for trade union organisation, because it does blur the traditional distinction between capital and labour. From the survey I did in Mondragon sixty-five per cent of the Mondragon members did not see an important role in the co-operatives for trade unions. Last year in Vitoria (a town in the Basque country) a traditional firm collapsed and the workers there mooted the idea of this company being taken over by the Mondragon group. The advice which the local trade union movement gave those workers was against any kind of take-over, because they thought that it would jeopardise the traditional role of trade unions within that enterprise.

The surveys I have done in France (particularly the one at Manuest, which converted into a co-operative in 1974) shows that: before conversion to a co-operative there was ninety-six per cent trade union density in the company; after conversion that was reduced to thirty-eight per cent density.

Similarly in the United States and Canada, where some form of co-operative has actually been set up, the power of trade unions, mainly in terms of density, has been lowered.
Jenny Lyna - Development Officer with the West Glamorgan Common Ownership Development Agency

We have been working in the field on co-operative development in our particular part of South Wales for the last two years. We now have five small workers' co-operatives in existence. One of the things that I would be looking for from the Wales T.U.C., is really concrete evidence that the very way in which you support the development of new workers' co-operatives will perhaps be radically different from a lot of structures that the Wales T.U.C. has been involved with up to now. That is to say, what those of us who have been working on the ground for some time are going to be looking for is some very real commitment to actually working from the bottom up. We know from our own experience and from the experience of other people in the field, that there is a tremendous amount of goodwill and interest in co-operatives in the Trades Councils and trade union branches across Wales. There is a tremendous amount of potential, and for that reason it is very important to capitalise on the work that is already being done.

On the question of redundancy payments (and I am sure that Denis will agree) there is far too much talk of the large redundancy sums that people are getting. You are quite right, globally about the sum that you mentioned; but when you actually do a breakdown of the type of people and the length of service, the number of people who have seventeen and twenty thousand pounds redundancy money is remarkably small and they have got that redundancy money because they had thirty to forty years' service and you don't get somebody with thirty to forty years' service - on the whole - going off and setting up a new co-operative. The people in the middle age bracket - in their thirties and forties - (of whom there are very many in the Port Talbot area) - are very often the sort of people who have got commitments to other things that they are going to be doing with their money, and quite right too; their children are growing up, they need things for them; in some cases they have mortgages to pay off and so on.

Younger people are precisely the people who have got two thousand, three thousand, four thousand and so on. And let us not forget that very many of the redundancies occurring at the moment are in women's jobs; in fact, the rate of decline in women's jobs is as fast in Wales as it is virtually in the male employment sector. Those women, because of interruptions in service, are very often getting next-to-nothing in redundancy money. And in many cases they have been working in low wage structures where they have not accumulated the sort of sums that are going to be able to do anything.
The co-operatives that I have been involved in starting have in fact had to start quite often by actually using savings from the housekeeping.

David Pelly - CAITS

I think it is very important that we should be seen quite clearly to make claims on public money that would otherwise pass into the private sector.

The other question is about the use of pension funds. I don't know how much discussion you have had with trade union trustees. But I think you will find that pension fund investment is fairly tightly constrained at the present time by trustees and it is a major problem to change those trustees to allow for investment in a fund to be used to set up worker co-operatives whose main objective is not return on capital, but job expansion.

In relation to markets: given that you have a major decline in the steel industry in Wales and a major decline in the economy as a whole as a result of that, what are you doing in terms of markets? Are you going for markets in traditional product areas (using the normal financial and commercial criteria)? Or are you going to try and go beyond that and look at the whole question of socially useful products and social needs? In that case, you will have to look at the whole question of the failure of the market to relate productive resources to social needs, and one of the major areas of socially useful production is in the steel industry; and therefore, I would ask: how does your movement towards co-operatives fit into the struggles around the maintenance of a major steel industry in this country?

Alan Taylor - S.E.R.A.

The first point is that Mondragon is a local and not a regional initiative; I was very interested to hear that the co-operatives in Mondragon town itself seem to identify more closely with it even than those three miles away.

Our experience in Britain is that regional co-operative development work is not very effective, local co-operative development work is. I quote you the Scottish Co-operatives Development Committee which does good publicity work at national level but has found that it needs to have workers within, for example, just Clydeside to tackle the practical work regarding co-operatives. There is a similar Northern Region Agency which has retreated to concentrating on Tyneside because it finds that is the practical thing to do,
and there is another one in the north-west of England which, once again, recognizes that to do practical work it has to retreat to a more local area, it is simply too remote at a national level and, as a former resident of Swansea I would say that something based in Cardiff would be regarded as a remote agency; that is a fundamental problem; you are not drawing one of the lessons of Mondragon.

Another point is that co-operative development is most likely to be successful if it is sensitive to the kind of things that people in the co-operatives want to do and that means being controlled by the co-operatives, not by the trade union movement. Now I have every sympathy with the trade union movement and I am a shop steward but I don't think co-operative development work is likely to be sensitive, unless it is controlled primarily by the co-operatives as, indeed, it is at Mondragon and as it is in the most successful examples in Britain. We have one or two disastrous local co-operative development agencies where somebody from outside has come in and said: "We are going to run it for you"; there is one in Bristol and one in Wandsworth and they are flops, whereas the ones which are closely linked to the co-operatives work remarkably well.

It seems to me those are two key lessons which you are not drawing and you are in danger of producing yet another remote institution.

Nick Mahoney - Hackney Co-op Developments

What I find rather strange in the Wales T.U.C proposals was their adoption of Mondragon ideas about member shareholding, member equity holding and participation in the growth of assets. Also their comments about the inadequacy of ICOM model rules. Now I will not argue that ICOM model rules are perfect and solve all our problems but one thing that they do emphasise and a point on which they are based, is on socialisation of capital and the diminishing of the value of individual equity holdings. It seems strange that promoters of socialist co-operation are not taking up these points.

It seems to be a particular problem if your objectives are employment creation; if you set up co-operatives in which the members have equity holdings and have control by virtue of equity holdings and not by virtue of their work (the fact that they work in these enterprises), it seems to me that you are running a series of risks.
This has been recognised in the initiative taken in Skelmersdale where the local trades council is very much involved. They are concerned about creation of employment and the taking of profits from enterprises which they have created and recycling these profits to create more employment. But it is not at all clear they have solved this problem by setting up properties based on equity holdings in a much more complicated and integrated structure.

Chris Logan

First the issue of finance: the policy implications of redundancy payments, the point raised by Jenny Lynn. I would totally agree that the fabulous sums often quoted in the press are statistical aberrations and you have to be fifty-nine and forty years working in the steel industry in order to get your hands on seventeen thousand. However, it has been the case that many people who have attempted to set up co-operatives have brought modest sums (between three hundred and five hundred pounds out of their redundancy) and it is true that they tend to be people over the age of fifty or between twenty and thirty who can most readily get their hands on that.

There are alternative suggestions which we have made as to how they might raise additional sums, and one of them is capitalising the result of their labour and this is acceptable, if it is done within an accounting year. However, if you start off with a co-operative which is under-capitalised (and I think you can think of a few, particularly the women's co-operatives and particularly the Kane co-operative) you simply run out of resources and therefore, the co-operative goes bust. Now it is always advisable to start off at least with what appears to be a good business balance for a year and something that appears to be a viable set-up financially.

As for pension funds: it is very difficult to convince anybody in the pension fund business that they should make investments into co-operatives. The only source of pension fund money that could be immediately diverted would be short-term and that is possible because they have the complete span of long-term investment, short-term investment and medium-term investments; the pension funds do operate on the money at call market and therefore, could put deposits in banks which, through the banking ratio multiplier could be-used and diverted in a sense, to the co-operative movement. But I am aware of the constraints put upon the trustees of funds and there is no way legally we can get round that at present.
The question of traditional markets and socially useful products: one is always constrained by the market, however desirable it may be that the present allocation of resources, nationally and internationally, be changed; it is often very difficult to produce something which is socially useful and for which you can get a market. We are heavily constrained there. I can't see how our co-operatives in Bargoed, Aberystwyth or Merthyr are going to change that, especially if it is a small co-operative. It would have to be realistic in its choice of products and they would have to be products we could market. Of course, people in that co-operative could argue that the whole system of production, organisation and exchange should be changed, but on their own and using their own unaided efforts and their limited resources they are not likely to change it; questions of major policy and related initiatives have to be taken to governments.

The resource centre: the statement was made that the Mondragon model is not a regional model; I am puzzled by that. The Mondragon co-operative model actually says that it is regional and has even made investments in Southern France (in the Basque region of Southern France) and they do see themselves as regional. Although they have only been in existence for twenty-five years they are concentrated in the Leniz Valley and in the high Deva region of Guipuzcoa, nevertheless they are not exclusively concentrated in those areas, there are co-operatives in San Sebastian and there are co-operatives in Bilbao and there are co-operatives in Vitoria. There is a deliberate attempt at a regional planning policy by the bank and its resource allocation policy is to divert people away from Mondragon, and one of the things they do criticise themselves over is the fact that they have concentrated far too much development in Mondragon.

They have had internal migration in the Basque provinces (people coming to Mondragon) and they now wish to create co-operatives outside Mondragon, outside that particular valley and in other valleys and they have been very successful in doing so. In fact, only forty co-operatives in the Mondragon area are in the Leniz Valley and the Alto Deva, the other forty-three are outside that area.

Now on the question of control: the Wales T.U.C. resource centre does not propose to control, manage or run anybody, it is purely advisory; it will not be running anybody's co-operative, but will be giving them advice and support in the initial stages of their setting up. As they go on, we would hold their hand and act as a sort of senior tutor, if you like, but we would certainly not attempt to control any of these enterprises; they would be owned by the workers and controlled by the workers and to that extent the autonomy of a co-operative under the Mondragon
model would be respected. But the bank does engage in suggestions and contributions which give the management of individual co-operatives a broader, more global perspective, particularly through the mechanism of co-operative groups (or federations) and that is something we would like to emulate and we would commend.

As far as control of the resource centre is concerned, I would like to point out that in Mondragon the co-operatives do not control the managerial division. It is not controlled by the co-operatives, it is owned by the co-operatives. On the contrary the flow of information is reciprocal and although they guarantee the autonomy of the individual co-operatives, they nevertheless prepare the five-year plan, and make suggestions as to what should be done and what should not be done. If there is any question of intransigence on behalf of the co-operatives not accepting their information i.e. if they didn't accept their advice and the co-operative bank in Mondragon was convinced that the advice they were giving was correct, the sanction applied would be that they would never be given investment funds (they did put one co-operative into liquidation).

(Un-named speaker)

As a point of information, isn't it true that the co-operatives are actually represented on the board of the bank, and therefore, control the bank. Secondly the co-operative that they liquidated was one where the owners, the workers in it, wanted to retain the profits and not use them on the formula set out by the bank, so they were acting in an anti-socialist way.

Chris Logan

The bank advised that co-operative that the rules were not being obeyed (the capitalisation rules were not being obeyed) but seeing that they had their money in and the people were not playing to the rules, they took their money out to protect their investors.

As for co-operative representation in the People's Savings Bank, some of its directors are also directors of other co-operatives on a rotational basis (mainly Ulgor and the big co-operatives, not the small ones); in addition, there are about five co-operatives represented on the board and the rest of the board are entirely bank employees, so twelve out of eighty-three co-operatives have some representation on the board. The board's view is that the bank is operating for a group. It is not true that the co-operatives control the bank, they own it and they have strong representation but there is no direct control. The bank has autonomous decision-making capabilities for tight control and the direction of financial resources.
Equally, any co-operative which does not want to have anything to do with the bank's suggestion and is still abiding by the rules (so that the bank couldn't exert sanctions on it) may well remain intransigent. However, there's another problem: they say that "We do not have enough power in the individual co-operatives", (i.e. the bank is seen to do far too much), while on the other hand the bank considers that it is taking far too much responsibility for medium-term and short-term planning in particular co-operatives. This is a comment from the General Manager of the Bank, said in January or February of this year in T.U., (the internal house magazine of the bank and the co-operatives).

As far as the criticism of ICOM rules is concerned, well, it is necessary sometimes to look at the possibility of getting away from ICOM rules. My criticism of ICOM rules is that you have to accept tranches of credit and, as far as possible, I would prefer to see people internally capitalised, but that is my predilection. We do not have any official position on whose rules you choose. We are thinking of producing our own set of rules which we would commend to anybody but if people came to us and said "ICOM rules are what we want", we would assist them just the same as we would assist anybody who accepted our model rules.

Denis Gregory

To pick up a few points let's make it quite clear that the Wales T.U.C., has not given up its fight for the steel industry in order to put all its eggs in the co-operative basket. There is a major battle on to retain steel and all the major public sector cash flows into Wales. We are under no illusions on that whatsoever and frankly, I think it would be a long time before co-operatives could be developed to such an extent in the manufacturing sector that they could take the place that the steel industry has got in Wales. The point was raised that anything in Cardiff would be seen as remote in Swansea. But the trade union movement has a very decentralised network - use the local branches, use the trades councils, use the county associations of trades councils. Also the idea is for the resource centre to be peripatetic, virtually, and not just to sit up in some ivory tower in Cardiff.
The point about socialised capital which I take readily, it seems like a contradiction but I have worked for the last ten years with various trade union leaderships not just in Wales but in Britain, and it is a very conservative leadership we are dealing with. If we want to advance the cause of co-operatives then the quickest way to kill it off, as far as the credibility of the idea is concerned in the trade union leadership's eyes, is to talk about socialised capital in the terms mentioned. Secondly, if you talk to people in some of the new co-operatives that have been formed in Wales, they will in fact reject your form of socialised capital. That may be because they have not been educated into the idea properly. Hopefully we could effect that transition but that is a long-term strategy, I don't think you can do it straight away.

That last point of Keith Bradley's about trade unions in Mondragon: I would like to know a lot more of the details. Secondly he said he did a survey in Mondragon and 68 per cent of the workers said they couldn't see a need for trade unions. I suggest that if you did that survey anywhere in the United Kingdom, you would probably get similar figures.

Keith Bradley

The survey was a fairly extensive survey of the co-operatives. I had a control group (which were comparable to traditional firms in the Mondragon area) where the workers did see a major role for the trade union movement, but in the co-operative, clearly they didn't see one. And it is significant, when nearly seventy per cent of the workforce is coming out and saying for example, "We do not see a role for trade unions here", compared to the reverse: seventy per cent of workers in the traditional firms in the Basque country do see a role for it. Now this information was not just given in isolation, it was given with evidence of a diminishing density of trade union membership in co-operatives in France, in the United Kingdom and in North America and I think when it is taken collectively, it is pretty tough evidence.

Chris Logan

Whatever the attitude of the workforce in the co-operatives, the attitude of the management is progressive. In January we were given a discussion paper which is entitled "The Role of the Trade Unions in the Co-operative Movement" and the Management Division of the Bank have circulated this to all managers of the various co-operatives and they have also circulated it to the unions, following the recent congresses of the Basque workers
Solidarity, (which is the major union and also acts as the trades council for the workers commissions and the socialist U.G.T.).
There is going to be (perhaps some people will be upset about it) a union structure and a role for unions within the co-operative movement in Mondragon. The unions have only been legal since 1977 and only effectively started operations, apart from the workers' commissions, in 1979. That initiative and that response came from the management in response to ELA's demand for a role made at their 1977 congress (the first congress that they were able to hold in Spain) and whatever the attitudes of the workforce - whether they are particularly union conscious or not - that is going to be the case.

Keith Bradley

I am not suggesting that there isn't a role for trade unionism in the co-operative, especially a role that is laid out within the constraints of management. Management have clearly demonstrated in the past in Mondragon that they are able to look after themselves and I would see this movement as in fact management in the co-operatives looking after themselves rather than actually generating some form of collective bargaining role for trade unions.

I do not see it developing anywhere near the conventional role of trade unions in conventional firms.

Denis Gregory

When we talked, particularly to ELA, we saw that they would accept the point you are making that they had weak penetration, but the situation is changing, they are facing increasing difficulties and possibly common market competition, in addition given the way in which tensions are creeping into the system of information disclosure and decisions, they saw that there was fertile ground for them to grow within co-operatives. My judgement would be that in five years' time they would in fact be different and they will be much stronger.

David Ralley - ICOM and ICOF (latterly of Scott-Bader)

Could I add that that situation certainly is duplicated within Scott-Bader which, I suppose in conventional terms is a successful co-operative. They, the people themselves, do not see the trade union movement having a conventional role, if it has a role at all. My observation was, having worked there for a good many years, that if there was a group that needed some sort of trade union support it was probably the management!
I would like to start by saying how extremely pleased I am to have been here to hear the report from the two Welsh T.U.C. visitors. It seems to me to be a major development that a representative body of the labour movement in this country has gone to see the co-operatives at Mondragon and I think that nothing but good can come of it. After all one thing we must be clear about is that those of us who advocate Mondragon structures, or workers' co-operatives of various forms, are not doing so because of some supposed benefit for bankers or people in boardrooms, we are doing so because the judgement is that if Mondragon is at all typical of what can be achieved, the actual work and material satisfactions of the ordinary shopfloor worker can be significantly enhanced, compared with what is offered by conventional capitalist businesses. I also welcome the realism of the judgements that seem to come from the T.U.C. visit, and the realism of the institutional proposals which they seem to be pursuing. These correspond very much both with my judgement about our experience in Corby and my judgement about the general needs for co-operative development.

First, I would like to speak very briefly about Corby. Secondly, I would like to talk briefly about the institutional conditions for a significant expansion of the workers' co-operative movement in this country. Then finally, I would like to say a little bit about individual equities, or capital stakes, versus social capital. But before I say anything of that, I would make clear from the outset that I am a pluralist: if any one wants to set up an ICOM model rule co-operative, that is fine by me; if anyone wants to persuade the Minister of Industry to grant them substantial government funds and is successful, that is fine by me too. I do happen to believe that both on the practical evidence and on structural grounds, it is likely that enterprises of this kind which have significant personal equity stakes will out-perform those that don't - but I may be wrong about that.

Job Ownership Limited is a tiny little non-profit making and non-government funded consultancy for the promotion of worker-owned businesses-workers' co-operatives. It negotiated with the British Steel Corporation to set up a small workers' co-operative promotion office in Corby after the announcement that the steel works was going to close down. The terms of that agreement were that we should run the office for six months. Nobody knew whether any of the steel workers who came out of the steel works would want to, or be interested in, investing their money in co-operatives.
Consequently it was thought that there should be a limit to our efforts. It would not be right, it was felt, to force people to invest their money in co-operatives if after hearing about them they did not want to. (We have in fact extended the office after six months - entirely at our own expense). We set that office up in February 1980 and there have been three phases of work since then. The first was an information and propaganda phase. I was in Corby continuously for between six weeks and two months and I addressed an array of meetings. Most of them were called by trade unions, but among others, two were called by churches (and I had the uneasy experience - I hope I don't have it again for some time - of twice preaching the sermon in a Presbyterian church). The first six weeks was essentially a promotional exercise and of the five thousand or so people who became redundant in connection with the close-down of steel making in Corby, I spoke to about four or five hundred, or about one in ten. Of course, a number of people in the church congregations were not ex-steel workers at all, so I probably talked to more. It became clear from all the meetings that the co-operative idea was certainly not rejected.

In the second phase we adopted what we thought was the correct stance, namely a stance of waiting for people to come forward with their product or market or activity ideas. We had a number of visitors who came and made suggestions, and we looked at a number of these.

Essentially the ideas could all be characterised as of an "artisanal" character; they were characteristically little service activities of one kind or another. We examined a fairly large number of them (I mean running into half a dozen or even more), but we found two things really. We found that in the first place Corby itself was obviously facing a contraction of the local economy and that these "artisanal" activities were concerned essentially with the local economy, and therefore the market prospects for these activities were not particularly buoyant.

Secondly, we found that in a number of cases, people suggested that they might, for example, go into the installation of central heating, or they might go into electrical work. Here they would find themselves directly in competition with the "informal" or "moon-lighting sector". As with the artisanal schemes, we felt that it would be wrong to encourage these. With one exception, the whole of that first phase of work resulted in advising people not to set things up.
We called a large meeting in the middle of last year and reviewed the position. Essentially, we said to the redundant steel workers: "Look here, it doesn't seem to us, on the basis of the evidence of the last four or five months, that ideas which you are going to bring forward are likely to look as if they have very buoyant market prospects. So if we want to do anything we must find another way of identifying projects that might have more success and essentially identifying projects where the market is not just the local Corby market, but much more of a national market and where there is no competition from the 'moonlighting sector'." They said: "Yes, that is exactly how we see it and so we would like you to go out and see if you can find projects of the sort that you describe", (essentially small manufacturing projects).

We started that phase in July of last year and looked into two possible projects which did not succeed. In both cases we were trying to reach an agreement under which we could manufacture domestic boilers in Corby under licence from firms in Denmark and Austria. When we went to see the principals concerned, they both said "I am very sorry but we need all the work that this activity generates for our own people here in Austria" or, "here in Denmark". If you had come to us three years ago it might have been different; if you come to us three years hence it might be different, but just at the moment we can't help you".

We also asked our contacts in Mondragon (with whom we have had quite good relationships over a long period) if they could help us to find a project. The outcome is that we are now in close negotiation with the people at Mondragon on two projects. We are awaiting a detailed set of data and information about costs and timings and so-forth. Firstly related to the assembly and possible subsequent manufacture of bicycles in Corby from the bicycle manufacturing co-operative Albia, and secondly related to the assembly and subsequent manufacture of gas cookers from Ulgor or from its federal body Ularco. We expect that within a couple of months, we shall be able to make a judgement about whether the prospects for one or both of those enterprises is sufficiently good to go from the stage of discussion, to the more detailed stage of planning, and then, eventually, to launch.

From all our work we have found that there are people - not by any means a majority of the redundant population, but certainly quite enough to be getting on with in terms of the resources that have to be put into the launching of successful enterprises - who are prepared to invest some of their redundancy money in co-operatives and that failure to establish enterprises of this sort is due to the difficulty of identifying potentially successful projects.
That is why I was so particularly interested to hear that one of the main aims of the Welsh T.U.C.'s proposals is "the resource centre", which is I understand to be this project identification unit that I regard as so necessary.

I must stress that co-operatives cannot be started very rapidly, still less, overnight. Those who saw Nick Flannery's excellent Horizon television film on Mondragon will remember that pile of documents associated with the launching of a new co-operative venture and will remember the time which elapses between the first mooting of a project and its actual launch. I am not in the least bit surprised that the work that we have done in Corby has taken so long. We may find at the end, that neither of the Mondragon-assisted projects gets off the ground, for one reason or another, but I think that what we will have learned is that if an enterprise is to be established which is not in the "artisanal sector" and not threatened by competition with the "moonlighting sector", then there is no substitute for a systematic and professional search for the right projects.

In my opinion, what we lack (if we are to move ahead from this position where co-operative ideas are no longer treated as either dotty or insurrectionary) are the resources to identify successful projects, and that is going to take time.

Finally I would like to speak about individual equity stakes and social capital.

Let me repeat what I said at the beginning. I am a pluralist - I would not oppose anyone who wants to, and is able to set up a business with entirely socialised capital. But I would not recommend it, if only because having effectively done so in the case of Sunderlandia, and having effectively lost all my personal savings as a result, I would not recommend anyone else to follow that particular path.

However, I want to make another introductory point on this issue. It seems to me that we must be clear that not all the internally-owned capital at Mondragon is individually owned. The reserves will be, at any particular point in time, not less than twenty per cent of the internally-owned capital and that, of course, will be in some sense collectively owned. I would like to see Mondragon, not as an example of the extreme Adam Smithian-type of co-operative, but as reflecting a blend of individual capital (as the larger part) and collective capital.
It seems to me that anyone who studies the whole history of workers' co-operatives must be struck by the astonishing difference between success at Mondragon on the one hand, and relative failure elsewhere. That failure can be exaggerated it seems to me, and it can be explained away very largely, but anyone who does not come away from studying the experience of co-operatives enterprises, who does not come away with that distinction firmly in their mind, must be 'incapable' of reading the evidence.

Somebody whose judgement I respect, who has recently read my book "The Case for Workers' Co-operatives" said to me: "Robert, this is objectively written so much so that you might sub-title it "The Case Against Workers' Co-ops"." He was drawing my attention to the fact that, aside from Mondragon, and aside from a number of other individual cases, the record is not exciting and not one which is likely to inspire either ordinary working people, or bankers or trade unionists, to go ahead along this road.

If we ask why Mondragon has been successful and why, on the other hand, success has been so short elsewhere, it seems to me clear that one of the reasons (certainly not the only one) but one of the reasons is the identity between the interests of the individual and the long-term success of the business which that individual capital stake cements. In other words, the motivational effects of that capital stake seem to be a clearly positive influence in the success of the co-operatives - and if we needed direct evidence of that, then we would turn to the excellent work of Keith Bradley, which, in my view, has demonstrated that this proposition, which seems clear in a general way, is actually clear in terms of people's perceptions, down there, of what is important.

Capital stakes, however, are not the only ingredients of success.* The existence of the banks, the existence of the management division, the grouping of a number of co-operatives, and

*In his talk Robert Oakeshott did not elaborate his ideas on appropriate institutional structures beyond the need for a resource to identify successful projects. In his publications he has advocated the need for an extensive institutional structure carrying out a range of managerial functions based upon the Mondragon system. Job Ownership Limited, has the eventual aim of growing into such an organisation:

"We would encourage the resulting co-operatives to forge strong links with us and to undertake in due course to make some financial contribution towards J.O.L"s costs. ....We would like to see the organisation eventually turn into the headquarters of a mutually supportive grouping of workers co-operatives who ran the management services division themselves on a co-operative basis." (J.O.L., Job Ownership, 1978, pl.2-13).
many other factors have been important. But it seems to me perverse to deny that a significant contribution has been made by individual capital stakes. For me, these individual capital stakes would also be justified and admirable on another ground. It seems to me that it is only by building up a little "nest-egg" of capital that an individual worker can have any real control over his or her own destiny in relation to the very big forces which dominate society today, whether those are the forces of wicked private capitalism, or whether they are the forces of wicked bureaucracies or whether they are the forces of any other big organisation. The only way that an individual can have some measure of independence in relation to those enormous forces is through having some little capital stake which he or she has developed. So, both on ideological grounds and on pragmatic grounds capital stakes are a plus for me. I don't wish to convince people who disagree but all I ask is to be allowed the freedom of the road to encourage people to develop co-operatives of this kind if they want to.
Discussion

Tom Cunliffe - Guardian (ex-C.D.A.)

I would like to ask what Robert's view is on trade unionism and co-operation, particularly in view of his last statement about the only security against a capitalist society being a "small capital nest-egg". Many people believe that you might get some form of independence and security if you were members of a trade union, for example. We would be grateful to hear what members of the co-operative movement think, what their real view is about trade unionism and I would like to hear what Robert thinks their involvement and justification in co-operatives is.

Colin Benson

I am an entrepreneur, and a property developer, not involved in any of these sort of activities that we are discussing today, but I have been interested for some time in the co-operative movement. With my friend Jack Eaton I went to Mondragon in 1979 (a long time ago). It was rather unusual because there were two of us going who held fairly diverse sociological views. What I think came out of this and what has come out of this discussion is that everybody can take a very different attitude and ideological stand from Mondragon. Some people feel that it is anti-union; some people see it as anti-capitalist; some people are concerned about its Christian morality in relationship to Christian socialism in this country. I was very interested in the fact that everybody in Mondragon can be an entrepreneur. Everybody can produce an idea and every idea is examined and taken seriously. We have heard today from the Welsh Trade Union delegate, Chris Logan, that one of the problems that they have is product identification; marketing and management are also problems which are highlighted by Mondragon. To me it seems disastrous that we are looking for social products; we have Lucas Aerospace Committee who have produced a range of viable, socially acceptable products that have not been used.

I see the death of things like the Benn co-operatives and the other co-operatives that have happened. In my terms of lack of entrepreneurial ability. I am heartbroken. When I hear somebody behind me say: "You don't need management". If you don't have your entrepreneur you won't make your profits; if you don't make your profits you are not going to have any co-operatives. What we should be discussing is what we do with the profit that co-operatives can make and what we can socially usefully do with it.
I understand from research on new businesses that successful new businesses are formed not when people try and produce some completely new product but when they try to enter an existing market and do so more efficiently than the people who are already there.

The second thing that I am told comes out of research on new businesses is that the best single predictor of who is going to succeed in setting up a new business is somebody who has tried it before and failed.

I have been advising small businesses for a number of years and my greatest observation is that the success of a start-up situation is entirely dependent on the sacrifices they are prepared to make in order to see that enterprise succeed.

I am very much inclined to sympathise with the idea of individual equity stakes but looking at workers' co-operative history in England shows two common developments: one is when the co-operative gets controlled by outsiders and its residual assets stripped or exploited; and the other is when a co-operative becomes successful if its members are exclusively concerned about their individual equity they may then sell it to an individual capitalist and work for him* (and this happened to three or four Leicester boot and shoe firms). I am not even arguing that one should prevent it. If Robert Oakeshott's "nest-egg theory" has any validity then that is a legitimate use of the resources.

First, trade unions: what I said was for an individual qua an individual, a capital stake is the only source of some kind of countervailing power to the big institutions which after all may be big unions: I mean, you may be like some kind of Plymouth Brother on the national railways and have been excluded from your union and you would be better off if you had some kind of individual capital stake. But of course, in general - historically - because workers have not had the countervailing power which some wealth gives them, they have had to build their own defensive organisation.

*A solution to prevent that is a constitutional share.
I don't think we know the final answer to the relationship between trade unions and co-operatives. I was much struck by what was said by the people from Mondragon. I am also very struck by Keith Bradley's evidence. That coincides not only with my own gut feeling, but it also coincides I think with evidence from elsewhere. There was a little seminar at Dartington, in October or September last year and one of the participants was Fabio Carpanelli, who is the executive head of the Lega (that is to say, the communist federation of productive and industrial co-operatives in Italy) and when pressed, he was quite clear in his reply that the role of trade unions in a co-operative becomes changed and becomes very much less a collective bargaining role, and it really has to, because if the co-operative is to mean anything, it is to mean that the business is controlled by the people in it, and that means that however much it may pay attention to the prevailing wage levels outside, it has finally to be responsible for taking its own decisions. So in my opinion (and it is, as I say, very much reinforced by what has happened in the Lega co-operatives in Italy) we will see a change. I don't think we can predict what that change will be, but I don't think it can be the normal collective bargaining role because there seems to be a contradiction if you try to embody both those elements.

The other cluster of questions were about the start-up of new businesses. I agree with Rob Paton about the question of existing products versus new ones. I think that looking for licence agreements, particularly if you stand back for a moment and look at the degree of import penetration which has happened in the manufacturing sector in this country over the last ten years, and you feel that something has got to be done to correct that over the next ten years; the way forward, in my opinion, is via licencing agreements and bringing in established foreign products, and then, using them as your base. So I agree with that.

About failed businessmen as being the best starters: maybe, I don't know. I think that entrepreneurs are a pretty rum breed and the attempt to try to breed them I don't think is likely to be successful. On the other hand, if you institutionalise that, as at Mondragon, then you, in large measure, get over those difficulties.

Lastly the question of equity stakes, and the question of rules. A co-operative may, of course, choose to establish rules which essentially prevent outside take-over, prevent selling out.
Now of course, it could be argued that if your stake is locked in, it ceases to have value as a nest-egg (there it is, locked in and you can't do anything with it) and I think there is something in that view and I think that people will, themselves, want co-operative structures to evolve. They may wish to be more flexible about capital withdrawals than is the position at Mondragon. I don't think they should be much more flexible but I am persuaded by the view that if you are going to get that thirty thousand quid only when you are sixty-five, you may get it at a time when really it is of very little value to you, and I think some way of dealing with that may have to be found.

On the other hand, I don't believe that having it locked in denies its value both in economic terms and more importantly, in terms of a feeling that you can stand on your own two feet. I mean, we certainly have examples, not only at Mondragon, but also elsewhere, of such capital stakes being treated by banks, notwithstanding the fact that they are locked in, as equivalent to more liquid forms of collateral. So if part of the function of such stakes is to give you something against which you can borrow, it is not impossible that it can be locked in and it can still perform that function.
Co-ops and the Labour Movement - Alan Oberman (Royal Arsenal Co-operative Society)

The Royal Arsenal Co-operative Society is one of the largest independent retail co-operatives in the country (that is, independent of the C.W.S. and the C.R.S.). In terms of the future of the co-operative retail movement in this country, we believe that the R.A.C.S. has got a very lively role to play.

Our involvement with Mondragon springs from a long history of interest in overseas co-operatives. We did have links with Spain as a society before the Spanish Civil War; we renewed our contacts with Spain in the Autumn of 1977 with a visit to Catalonia; we believe this was the first British contact with the Spanish co-operative movement after the death of Franco; we continued our contact with a visit to Mondragon in 1979.

Our motivation for going there sprang from the discussions about co-determination in Germany, the Bullock Report and, of course, the Anglo-German Foundation report on workers' co-operatives which we read with interest. We were ambivalent about the latter report. On the one hand, our sympathies were with a fellow co-operative, but on the other hand our suspicions against Mondragon were reinforced by some of the things that Robert Oakeshott, amongst others, have written about it because we see ourselves as part and parcel of the British Labour Movement and we look at the role of co-operatives in that light.

The co-operative movement has always been a mode of self-advancement of the working people, along with political activity and trade union activity, and we attempted to assess Mondragon from the point of view of the labour movement.

Co-operatives exist in ninety-three countries of the world, under all sorts of different systems and regimes and our view is that they are not, in themselves, a "good thing". There can be good and bad co-operatives. For example there can be co-operatives which are no more than cartels, which raise prices, have fixing arrangements and so on. In our view, the ideological motivation behind a co-operative is fundamental to an assessment of its worth and before giving a co-operative support, advocating its replication, the labour movement needs to examine the ideology of a co-operative with great care.
Keith Bradley indicated his concern that in Britain, motivation for co-operatives came from the fear of unemployment, whereas, in Mondragon, the motivation arose from "a co-operative spirit". He also says that one should not assess co-operatives with subjective factors. But in our view "co-operative spirit" is just such a subjective term and no less powerful for that. I also disagree with him over his playing down of the Basque element in the Mondragon co-operatives. The RACS entitled its report: "Mondragon: The Basque Co-ops" because the Basqueness is so important, and any characterisation of them is fundamentally "Basque". There is much evidence of this, such as the wide use of the Basque language, the primary schools set up by the Mondragon co-operatives to teach Basque, the solidarity strikes in the co-operatives in support of Basque nationalist aims; the management motivation which, in our view, arises from an identity with Basque nationalism, and so on. As we understand it, this nationalist, rather than class, identification initially aroused the suspicion of the labour movement in the Basque country. That suspicion now appears to be reduced, but the Basque labour movement still regards the co-operatives as being experimental.

It is far too early to estimate the end result of trade union involvement within the co-operative factories. These trade unionists, who are working in the co-operatives are for the time being directing most of their trade union activities outside the co-operatives, building up the trade unions in the towns and in the private trades, and acting as trade union organisers outside the co-operatives. We have our suspicions that when they have created powerful trade union organisations it will be only a matter of time before the trade unions find an official place within the Basque Mondragon co-operatives.

The internal structure of the co-operatives in Mondragon is very familiar to the RACS. We are a retail co-operative, a consumer retail co-operative and, as such, the ultimate control of our co-operative society is in the hands of our members. Nevertheless, eleven (out of twelve) of the board members are co-operative employees. This is a measure of the participation and influence of employees in our society. The board appoints senior management as it does in Mondragon, and we too have a workers' advisory council. For our own co-operative, there is nothing that suggests a weak role for trade unions. On the contrary, and we feel that this will become true of the Mondragon co-operatives where the function of management and the system and structure and control within the co-operative is such as to weight the actual running and the direction of the co-operative in management's hands.
The workers' major participation in the policy-making and direction of the co-operative takes place, in general, once a year at the general meeting. The board of management meets more regularly to oversee and receive reports from management on the direction of the co-operative. From our own experience—and we see no exception from Mondragon—the board of management is very strongly influenced by the sort of reports and research that management carry out.

In the Mondragon co-operative the individual workers are represented on the Social Council, and that plays a strong role within the co-operative. But members of the Social Council act as individuals. The same is true of our Workers' Advisory Council whose members are also there as individuals. Of course, in both cases, the members go back to the sections they represent and bring forward problems. But what they don't do and what they cannot do is independently research alternative policies that can match management. This I would see as the prime role of a trade union organisation within a co-operative—to be able to take onboard the management policies, to assess them and to weigh them up against different priorities. The first priority of management is to ensure the viability and success of the enterprise. Obviously, within a co-operative they will weigh this against all sorts of other factors, such as working conditions, ensuring a good service, and so on. But the trade union function is to ensure the accountability of management to ensure that workers' representation and conditions of work are not ignored in that stress for viability. In other words, we do not agree with the view of Keith Bradley and Robert Oakeshott that the trade union role within co-operatives should be down-graded because of the changed control structure within co-operatives. Our view is totally to the contrary.

There is a very vital role for trade unions within a co-operative organisation.

The RACS went to Mondragon to determine whether we should advocate to the British labour movement the replication of Mondragon in Britain. We were most impressed by the Mondragon co-operatives but they are inspiration to us to create our own co-operatives rather than a model to be copied.

We are suspicious of groups who are pushing the worker co-operative idea in Britain in terms of the individual satisfaction of individual workers. We have just heard that viewpoint from Robert Oakeshott. We need to question the motives of some supports of Workers Co-operatives. Keith Joseph—no great friend of the British working people—arguing the case for worker co-operatives, makes us deeply suspicious. What is the motivation behind such people? In our eyes it is quite clear. The motivation is that
for key areas of industrial conflict within our society, co-operative enterprises would remove sections of workers from such conflict; it is to divide the workers and separate them from the labour movement; give them a stake in the enterprise, it is argued, and you have removed them from the whole realm of industrial conflict. Ownership of capital stakes may be beneficial in the short term for the workers that are in those co-operative enterprises, but that is not going to achieve either a development or a movement forward for the working people as a whole. Nor will it ultimately benefit those co-operative workers, because co-operative enterprises must compete within a capitalist system with powerful multi-national organisations controlling economic forces.

The RACS believes that the motivating force behind worker co-operatives must be in terms of the ideological commitment of worker co-operatives to the advancement of workers throughout the country and that, in essence, is advancement towards socialism. Contained within Rule 1, of the Royal Arsenal Co-op's rules is "and to the aim of establishing a co-operative commonwealth in Britain". I suggest this means the establishment of socialism within Britain. If worker co-operatives are linked with the labour movement in this country, if they are training workers in running companies; giving them the ability to see the mechanisms of running business; and if they are able to better their working conditions, then O.K. we are all for them.

To finish, I want to quote the views of an organiser of the ELA trade union (that is the Basque National Trade Union), which I believe sums up many of the views that the RACS delegation carried back.

"We do not want a co-operative experiment separated from the working class movement; we do not want to build a little island inside capitalism; we have to be inside the whole workers' movement. We do not want to transform ourselves into a new, privileged petty bourgeois, individually self-emancipated elite. Our experience does not mean anything if it is not linked to the liberation of the working class as a class. For this fight the working class needs its own trade unions and political parties. But the trade unions have much to do inside the co-operatives introducing into the rules of the co-operatives the problems and aims of the working class: socialist ideas inside official documents. The experiment is still open. Either we could remain as a sort of sect, offering a solution for only a few, or we could move forward towards a wider social participation.

Our objective is to bring the co-operative workers to the consciousness that they are part of the working class, only a part and not necessarily the best."
Discussion
David Ralley - ICOM & ICOF, latterly of Scott Bader

I despair at times that we will ever get a co-operative economy because when I hear people talking about co-operatives I get the impression that they still cannot see a different concept; that whereas there is a genuine need in a conventional company to do something about management versus union situations, it is not that situation in a co-operative (or at least it shouldn't be). A person is a member of the co-operative and also a manager or and also a fitter, or whatever. But one still hears people constantly talk about 'the managers' as though they weren't members of that co-operative at all, as though their objectives were something different to that of the non-management people. When you are in a co-operative, presumably the objectives are totally the same and whatever sacrifices are made, they are agreed.

Un-named Speaker

I would like to follow on from what David has said: in my experience there are three prevailing attitudes: there is the bosses attitude, the employees' attitude (and I use that word kindly) and there is what I would expect to call "the co-operators attitude". Now the transition is not easy. I would make a special plea that the Danish idea of co-operatives be examined at some stage; there it is used merely as a commercial device, which might horrify some people; it has no political overtones; it has no ideological overtones, it is just a commercial device of organisation.

Chris Cornforth - C.R.U.

I would really like to take issue with what David said and I think to support Alan at least to a large extent. I think that a lot of the research that we have done here at the Open University has demonstrated that even in quite small co-operatives one often does get a management that arises that has different skills and different expertise from the rest of the people working in these co-operatives. Now there may not be large scale conflicts in those co-operatives, but workers are at a disadvantage quite often in opposing or presenting alternative ideas to those presented by management and so I would like to support Alan's view. I personally believe that trade unions could play a role within those co-operatives providing extra back-up of resources to workers, providing alternative plans and some kind of more realistic debate within those co-operatives. I also believe that the trade unions could play a much wider role, as demonstrated by the ideas of the Welsh T.U.C. this morning, by promoting co-operatives within the wider economy and using their means and their power to do that.
At the same time, I have been in a number of co-operatives where workers have not seen the need for a trade union role so, although I believe there is one, I also believe the trade unions must demonstrate, and demonstrate quite clearly that they do have a role to play and at the same time it is probably the duty of those in the co-operative movement to realise that trade unions have a role to play, and try and put that view across.

Sue Watson - Co-operative Society

I was part of a team that went out to Mondragon and I was very impressed with what was to be found there. Some of the things that had been least publicised, for instance, their consumer movement could give us lessons in democracy, and I was very impressed with the women's co-operatives which I wish we had time to discuss because we have got a lot to learn from them, and they have been publicised hardly at all.

But we did find an atmosphere of benevolent paternalism running through it... anybody who has been a lot in Spain, knows that this was an aspect of Francoism at its best - at its worst it was horrible, at its best it was paternalistic. There are lots of hangovers of that there and, in fact, we found one co-operative where the manager of the co-operative had also been elected director of the works council. But you do find that ideas don't all come from above. If workers are presented with management plans for the future they can say 'yes' or 'no', but they can't say 'yes' or 'no', unless they are equipped with information to understand the decisions. This is the point put by some of the trade unions. One of their essential roles in the co-operatives was to provide alternative studies so that people could understand what the decisions were.

David Pelly - C:A.I.T.S.

I want to say two things about the role of trade unions in co-operatives. I tend to agree that within a co-operative framework where all employees, management and workers included are members of a co-operative, there is less need for a trade union which negotiates for the needs of the workers in that co-operative and I agree in an ideal world that would be the situation. But the problem is that a lot of managers in co-operatives have come from capitalist enterprise, and they carry on the sort of attitudes that they had in those enterprises. For that reason it is necessary for people to have trade unions to counter those attitudes. Until we get a situation where everyone learns to work collectively then we are going to need trade unions.
Secondly, at the present time in this country there is an attack on
organisation of working people and it is being done under the
guise of economic necessity. Rationalisation in major industries
- or in smaller industries - is not necessarily always because of
a shrinkage in market, or problems of cash-flow, it is because the
management are using the excuse of economic problems to ration-
alise their workforce and it is essential that we have strong
trade union organisations to defend people, maintain employment
and defend those organisations. Rather than undermining the
trade union movement in this country by suggesting we don't need
trade unions in co-operatives, we should actually be pushing
trade unions nationally, to take a more offensive and positive
attitude towards new forms of industrial organisation. They are
very good at defensive actions, but they are going to have to move
forward and the role of the co-operative movement lies in assist-
ing that movement not in attacking the basis of trade unionism.

Alan Thomas - C.R.U.

There is a very strong, almost theoretical reason why the trade
unions are always bound to have an extremely important role and I
dislike intensely this notion that the co-operative interest is
different, because I think that co-operative interest is one way
of containing the differences, not between the managers as one
group of people and the workers as another group of people, but
the difference between the interests of an enterprise and the
interests of individuals, working conditions and wage levels,
safety, all these aspects which apply to managers just as much as
they apply to the fitters. But they are interests which are not in
the interest of the enterprise and the market to promote.

Somebody who came to C.R.U. to give a seminar on Peru, told us that
there was actually a case where virtually the same people sat down
in a room on two different occasions; on one occasion they were
representatives of their union and on the other occasion representa-
tives of, as it were, the board or the committee of the co-operative
concerned. They actually negotiated with each other and, in the
one case they were mounting a demand and in the other refusing it
and it was actually the same people. In a sense then, the interests
are different, even if the people concerned may be on both sides.
That is a fundamental difficulty and in a co-operative it leads to
all sorts of stresses amongst the people concerned - they have
somehow to be on both sides. I don't think it helps to pretend
that by appealing to co-operative ideology you can somehow ride
both horses at once.
Reply by Alan Oberman

One of the difficulties is that in theoretical terms, the interests of management and workers in a co-operative ought to be identical but never are, because they have got different views as to the way the balance of policies are allocated - on questions of priorities - and that is a continuing argument.

If there were interchangeability of workers and management, then one would begin to see structures being broken down, but we have not seen a breakdown in these divisions and Mondragon does not attempt to do that. Let me hasten to add we were incredibly impressed; as far as we are concerned a great thing is happening in Mondragon and in terms of the benefit of the workers in those enterprises it is excellent. But one of the things it does not attempt to do is to end the divisions between those who think and those who work with their hands; it does not set itself that as an aim. One big thing that Mondragon has got going for it, which we have not got in this country is the informality that exists between management and staff; that makes these sorts of problems far easier.

I agree that trade unions should be more involved in worker co-operatives. We believe that worker co-operatives are a fundamental form of social control. We would not put them against formal structures of state control, we would see them as being allied and we would wish to see developments of social control in workers' co-operatives taking place.
Mondragon and the Quality of Life – Jack Eaton (University of Wales)

There has been a considerable amount of recently published literature about the workers' co-operatives associated with Mondragon. Robert Oakeshott has produced a book and a number of articles on the subject and was one of the joint authors of a study called 'The Mondragon Achievement' published by the Anglo-German Foundation for the study of industrial society in 1977. (1) In the same year William Foote Whyte and Ana Gutierrez Johnson produced a study of the 'Mondragon System' in the Industrial and Labour Relations Review. (2) Peter Jay drew on the work of Oakeshott to produce two articles in 'The Times' ('St. George and Mondragon' (3) and 'Till We Have Built Mondragon' (4)) in which he discussed the applicability of this type of co-operative enterprise to British industry and even went as far as to suggest that a workers' co-operative economy could provide an anti-inflationary mechanism by removing the raison d'être of trade unions.

These publications have in common the feature that they provide a generally sound outline of the formal governing structure of the Caja Laboral Popular (the co-operative bank) and of the co-operative enterprises, but that they say very little about the attitudes towards the enterprises of the shopfloor and non-managerial members of the co-operatives.


4. Peter Jay, 'Till We Have Built Mondragon', The Times, 14 April 1977.

- 79 -
This then was the main objective of a visit to the Basque co-operatives - to try to gain some impression of the rank and file attitude to the co-operative enterprises of which they were members. However, being somewhat sceptical about the claims of advocates of the co-operative system for its efficacy in job creation and about alleged improvements in the quality of working life therefrom, it was decided to look for empirical evidence on these issues too.

Recent Individual Producers' Co-operatives

The workers' co-operatives associated with the CLP vary greatly in age, size and capital intensity. The idea that the total production of the co-operatives still only amounts to a small operation is very quickly dispelled. Investigations of co-operative ventures requiring loan capital by the Caja's empresarial division is thorough. Once having made a decision in favour, however, the cash goes down and it can be quite large amounts - close to £1 million each for the two new co-operatives which I saw, employing at the time 15 in one and 30 in the other.

In both cases the speed of development from green field to production, once the project had been approved for support by the Caja, was impressive. In the case of the Kendu Co-operative, which produces vertical and end milling tools and cutters, this period was twelve months. Looking for expertise to start the operation in the right way, the Caja and the co-operative's managers had head-hunted a British professional engineer named Bob Easson. He was hired on a five year contract as technical director and had trained all the workers himself.

Ederfil, the other new co-operative plant, was less impressive. It is a copper and aluminium wire extruding plant. Again speed of development from green field to production had been rapid, in this case, fifteen months. It had started with individuals from other co-operatives concocting an idea for co-operative production and approaching the Caja for assistance. The empresarial division of the Caja subjected the proposals and cash flow exercises of the four originators to severe scrutiny and investigation for two years before deciding to go ahead and put down its share of the £3/4 million capital cost of the plant.

Deciding on the viability of prospective co-operatives is, as an economist of the empresarial division said to me, a complex matter. Investigation of the proposals of would-be industrial co-operators is thorough. The proposed product lines are examined in the light of potential markets, while production methods and technology are closely appraised as are the motivations of the originators of the proposed co-operative. The economist, who insisted on his role as an 'economist practico', told us that motivations could be very much looked at in connection with Basque nationalistic feeling which he believed was extremely significant in the growth of the co-operative enterprises of Guipuzcoa and Vizcaya.

In its role as overall co-ordinator of the development of the workers' co-operatives, the Caja is interested in whether location can possible be in an area which has relatively high rates of unemployment but where there are sites available which can be developed for industry and where communications are in a satisfactory condition.

A noticeable feature of the co-operatives, Kendu and Ederefil, was the very high degree of commitment and enthusiasm for the enterprise, not only by the managers, but also by the shop floor workers. We were told that the engineering workers at Kendu not infrequently worked a twelve-hour day by their own choice. Sometimes they also worked on Saturdays and on feast days (which are normally public holidays) too. This extra working can be looked at in another way. All the members of the co-operative have staked about £2,000 of their own money in the co-operative or have made a contract to mortgage part of their wages to accumulate that sum. Without doubt, this would act as a goad for the most reluctant workers. There is, to be sure, a high degree of enthusiasm, but the self-inflicted traces are there too.

The Caja takes a hard look at all associated enterprises, but particularly new enterprises with loans outstanding. In theory they have three years before the empresarial division starts to reach punitive conclusions about poor commercial results. The scale of operations of the empresarial division means that it is perfectly possible to know a great deal about what is happening in each co-operative. The bank closely monitors existing co-operatives which need to supply monthly operating statistics. These can be checked against the annual and five-year plans which the co-operatives must also supply to the bank. The ostensibly open governing structure of the co-operatives and the all-pervading ideology of open communications and freedom of information greatly facilitates the Caja's monitoring of co-operative performance.
While possessing considerable scope for expansion and diversification of output, both Ederfil and Kendu are to be kept small in terms of numbers employed in line with a deliberate and drastic policy move by the Caja. The first co-operative to be founded (Ulgor, founded in 1956) has over 3,450 workers and the ostensibly very democratic governing structure has become a sick joke. To try to reconcile the communications and human relations advantages of small scale with the technical economies of large scale production the Caja has been advocating an optimum maximum size of 200 co-operative members in one works and a group structure of federated or complementary enterprises. Thus the Ederfil wire extruding plant does not produce a great deal of added value but is associated with another Ederfil plant producing electronic conductors, while there is a complementary plant for Kendu which produces drills to complement Kendu's end mills.

Working Conditions

Working conditions at the newer factories which have plenty of space and which are (temporarily anyway) cleaner and are engaged in production which calls for some degree of precision are, as would be expected, congenial.

This is not always the case in the workers' co-operatives associated with the Caja Laboral Popular. At the Eredu co-operative some 70 workers are engaged in the production of camping equipment. There are a large number of women, especially at the final stages of assembly - the kind of job which you are always told 'calls for manual dexterity and the women are particularly well-suited for this kind of work'.

These women were working hard. It's not unusual to see that in a factory the women are clearly working twice as fast or twice as hard as men. After the relaxed tempo of the engineering works, the difference was striking. The production assembly line seemed badly planned so that the pace of work was much greater at certain stages of production, particularly the final stages where most of the women were working. Without doubt the plant layout was in need of improvement from a production engineering point of view and it was hot. I knew what was meant by sweatshops. The buying manager claimed that they had 'tried to do something about the air conditioning' and that there had been work study and work measurement of the production lines, but those comments seemed to me as the 1 per cent inspiration against the 99 per cent perspiration in the factory.
In the face of conditions like these, the realisation that there is a degree of self-exploitation begins to hit home. The employees in this co-operative had little control of the work process. In the Caja's system of rules, wages are regarded as an anticipo - an advance out of profits, there courtesy of profits being made, just as in any capitalist enterprise. As Marx put it, they simply grease the wheel. The organisational planners pursue scientific management with avidity, breaking down jobs into simple, outline operations and structuring workflow into assembly lines. The fact that in the case of Eredu this did not appear to have been done very efficiently does not detract from the fact that principles of scientific management were being followed. Taylorism, or scientific management, is incompatible with democratic control or one-person, one-vote governance of the industrial firm.

If working conditions at Eredu leave something to be desired, conditions at Gurola, a co-operative manufacturing bedroom furniture, are Dickensian. It is one of the few co-operatives among those associated with the Caja which started as a failed capitalist enterprise. A few of the workforce had combined to start the co-operative by approaching the Caja Laboral for a loan. Working conditions here are poor, and cramped, and much of the capital equipment looked antiquated. Once again, much of the tougher, more unpleasant stages in the production process, for instance rubbing down pieces of furniture prior to varnishing, is done by the women. Of the co-operatives which I visited I believe that the workers at Gurola have reason to justifiably complain about their conditions - an impression which was confirmed by interviews with a few of them.

Among the shopfloor and clerical workers, the commitment certainly appears to be there at an early stage and there are obvious and pressing financial and economic reasons why this is so in that the workers want to realise some capital gain, or at least get the business off the ground so that they are not in debt, or the mortgage is less of a burden. This is a powerful incentive and must promote a degree of self-exploitation. One sales manager at a woodworking machinery co-operative said, facetiously, that it was a fool-proof system for keeping the workers in check and all that was lacking was the ability to cream off more profits for management.
Controls on Managerial Prerogatives - Ownership and Control

(a) Trade Unions

The first co-operatives associated with the Caja Laboral Popular were founded when Franco was in power. There were no free trade unions in Spain and some commentators, notably Oakeshott, believe that the absence of trade unions is one strong reason why the co-operatives have been so successful. Even with the change of government, unions in Spain are still weak, though growing rapidly. Their growth will set problems for the C.L.P. co-operatives because their libertarian ideology necessitates some sympathy with the aims of trade unions and yet, the managerial and commercial strategies of the co-operatives and the Caja might well be upset by the arrival of trade union representation. The managers certainly fear this and have reason to do so since the only strikes which have affected all the co-operatives to date have been political, protest and sympathy strikes organised by the Basque Nationalist and Separatist Movement (Euzkadi Ta Askatasuna), against the Madrid government. There is clear evidence of attempts to involve the co-operatives and their workers in the movements for Basque autonomy and in protests against unemployment. Slogans and calls to action and solidarity against unemployment and the Madrid government daubed on co-operative factory walls testify to this.

(b) The Junta Rectora and the Social Council

In theory of course the absence of independent external organisations to represent the workforce should not matter. The co-operatives have an exceedingly democratic governing structure laid down by the Caja in its articles of association. The junta rectora or control board of members elected by the workforce once a year at the general assembly in turn elect or appoint the top managers and executives and can dismiss them, although lower and middle managers are appointed by their seniors. The junta meets once a month and is supposed to control the management and bring the views of all the co-operative's workers about enterprise policy to bear. In practice, this proves largely illusory. As one worker put it to me:

"The co-operative is a good idea but over the course of time falls into the hands of the Management and the Chairman (chief executive) who, through having more information and resources than the junta rectora can always make their own opinions and points of view prevail".
The assembly of all the workers of a co-operative meets once a year and is theoretically the supreme policy-making body, but this is authentic in the same way that a party conference or a trade union conference is held to be a supreme policy-making body. The workers have no effect on the decision-making process because the junta rectora was not where it occurred. Even if it was, nothing would change much because the managers have a near-monopoly of knowledge, of the appropriate terminology and of authority, while the members of the junta are only individuals with no sanctions and no power.

In the larger co-operatives, such as Ulgor and Copreci, there has been found a need for a Social Council which is elected on a constituency basis similar to that of a British 'works committee'. According to Oakeshott(1) this social council 'has direct access to both the general manager and the control board (junta) to whom it can represent the human, as opposed to the commercial, requirements of the workers'. He continues: 'the weekly meeting, which is usual between each social council members and the workers of his shop or department, has been found to be the best means of educating new entrants to Mondragon (sic) in the ideals and practice of co-operation'. This sounds very similar to Clegg's perception of joint consultation in British industry:

"... it was a continuous process of so informing the workers of the facts through their representatives, and of conveying the attitudes of the workers to management, that the decision of the firm would become the expression of a 'general will' of the whole body of those who worked in the firm, from directors to unskilled labourers.' (2)

In the smaller co-operatives this kind of communications can be expected to occur anyway simply as sound management practice, with the junta rectora merely adding a constitutional gloss to de facto decisions and policies. The social council is a crude attempt to make up for the utter inability of the junta rectora to restrain managerial prerogatives in the larger co-operatives, Ulgor, Fagor and Copreci.

---


Clearly, managerial prerogatives in the co-operatives do not rest on proprietary rights primarily — although to a degree they may do since it is quite likely that the managers and directors are those who originated the co-operative project. Primarily, however, their claim to authority rests on expertise, possession of commercial knowledge and data and the need to act promptly. It is impossible for a junta rectora which meets monthly to keep abreast of such matters and provide any countervailing power, even if there was opposition. It is always open to management to argue that the commercial success of the enterprise and everybody's well being depends on their unfettered decision-making power.

At some of the co-operatives, and notably Ulgor, the pioneer co-operative, which reached 3,500 members in two plants by 1974, it was evident that not only was there a gap between management and the labour force, but also that the junta, elected once a year, was too remote to be representative of individual worker feelings or grievances. The Personnel department began to pick up evidence about worker morale dropping.

The response of the management and management board was to set up the social council 'designed to provide the members with channels for influencing management decisions on matters affecting member welfare'. (1)

So far the Social Councils have suffered the fate of committees with limited consultative rights in large organisations. As Johnson and Whyte put it:

'There has apparently been a growing belief among members of Ulgor that the social council serves mainly as a one-way channel of communication from management to workers and does not provide channels through which the workers can influence management. Since the Management Board has both the power and, apparently, the more interesting and challenging jobs to do, socially and politically active members are naturally inclined to run for positions on the Management Board, and Ulgor has found it increasingly difficult to recruit candidates for the Social Council'. (2)

1. A. Gutierrez and W. F. Whyte, op.cit.
2. Ibid.
The reason is that the social council is toothless and ineffective, being, in common with joint consultation, envisaged by its advocates as a body in which there is no use or even threat of use of possible sanctions on the workers' side. It was consequently ineffective in representing the shopfloor workers' interests during the dispute over job evaluation at Ulgor in 1974. The dispute originated in a clear-cut conflict of interest between management and shopfloor about relatively unfavourable evaluations (by immediate supervisors at that) for shopfloor workers.

With no redress via the social council, the workers in dispute turned to strike action. This was only patchy in coverage, failed to stop production, and was soon defeated. Under the constitution the Board is required to expel members for procuring a strike in response to internal problems. It therefore expelled 17 strike leaders, while 397 received lesser penalties. After some stormy meetings, this decision was upheld by the general membership of Ulgor.

However, there is a clear justification for trade unions in the differences of interest between management and workforce at Ulgor, even though they are all co-members of the co-operative. As Clegg puts it, 'The emphasis of differences may be stupid and obstructive. Its justification lies in the basic assumption of democracy: that even the most enlightened authorities tend to ignore the interests of others, or to minimise their importance, unless these interests are brought sharply to their attention. Power must be checked by countervailing power.' (1)

There is little doubt that this basic truth is now being perceived by the management and management board of Ulgor and by interested managers in the Caja Laboral Popular. They must be aware that Ulgor and the other larger co-operatives would be easy targets for a properly revived trade union movement in the Basque provinces and that there is much more than a slight indication of possible trade union consciousness among the shopfloor members of the co-operative.

Overall, however, throughout the workers' co-operatives it would seem that there are aspirations for, and some (not yet disappointed) expectations of, increased employee control. As long as the trading conditions of a co-operative are good it also appears possible for a large degree of acceptance of managerial prerogative to take 'all the major decisions' to prevail at the same time. From interviews with shopfloor workers from a range of co-operative factories, it was clear that the traditional channel of employee

challenge to management over job control - trade union organization at the point of production - was at present opposed by the majority. It was not outright opposition so much as the response that, while trade unions are necessary in capitalist firms, there is no need for them in the co-operatives. However, a number of workers hesitated before giving a definite 'no' on this question, and one changed his mind after saying that he thought a strong trade union was necessary. This adds further to the evidence for a possible trade union consciousness in the co-operatives.

A Role for Trade Unions in the Co-operatives?

Theoretically, it is arguable that the trade unions are necessary to restore countervailing power and for representative democracy in the co-operatives in the interests of the labour force vis-a-vis management. However, this is a matter of right or principle and frequently for trade union activity to flourish it also needs issues of interest. These are certainly not absent. There is a fixed differential between shopfloor and clerical workers of 3:1, in some instances 4:1. Managers in the co-operatives appear to regard this as a sacrifice which they make for the benefit of the collective team spirit of the enterprise and regard it as 'more or less just' while at the same time making it quite clear that they could earn more outside of the co-operatives. In the case of the managers at the Zubiola woodwork machinery co-operative, managing director and sales director thought twice as much; one buying manager (at Eredu) thought 25 per cent more.

This is not the attitude of the shopfloor workers, many of whom believed that the differential of 3 or 4:1 was too big. Three or 4:1 is a big self-restraint to make on income in the context of salaried directors of sizeable companies in the United Kingdom, especially before tax. However, it is not particularly surprising in the context of smaller companies for managers who are not part of the family owning the business - say companies of similar size to Zubiola - 150 workers - in these cases pre-tax salaries in the United Kingdom of middle and senior managers would be very unlikely to be more than three times the salary of a shopfloor worker. Oakeshott's fulsome praise for the self-restraint necessary to achieve this seems misplaced.

Health and Safety

The other main area in which trade unions would find plenty of scope is health and safety at work. Safety at work is not treated with even the small degree of concern which attends it in British manufacturing. At Kendu the grinding machinists were not wearing
eye protectors, and no matter how careful the operator, high speed grinding wheels can shatter with disastrous consequences. At other plants, there was similar lack of primary safety regulation. In high noise areas ear protectors were the exception rather than the rule. In the lacquer spray area in a furniture-making co-operative factory there was no separation of the spraying process from other production line workers, and although the waterwash process did carry away much of the overspray, the spray operator himself had no protective mask. The lighting was poor and conditions cramped. At the leisure and beach equipment co-operative, the heat and humidity was too great to tolerate. Apparently the air conditioning plant had broken down and there were attempts being made to repair it, but such a lack of urgency would have brought an immediate response from shopfloor trade union organisation.

The Roots of Trade Unions Consciousness - Techniques of Managerial Control in the Larger Co-operatives

Since the experts at the Caja and the management of Ulgor have become well aware of the threat of trade unionism in the larger co-operative concerns, given the difficult problem of reconciling representative democracy and efficiency, there is a fresh determination to keep sizedown. The optimum size is now seen as 200 workers. There are already co-operatives in existence which are much larger than this and the favoured policy for moderating the disadvantages of size is to group the co-operative enterprises in 'grupos' or confederations of separate plants with related productive activities. For example, Ulgor hived off some of its constituent parts to form the co-operative enterprise grupo 'Ularco'.

One of the enterprises hived off from Ulgor when the Ularco grupo was established is Copreci. It has two factories, one of which is an impressive, spacious factory with a labour force of 830, manufacturing regulos for cookers, thermostats for central heating and controls for automatic washers.

Copreci possesses all the instruments of scientific management: clock cards, work measurement, detailed personnel records about absenteeism. As at the camping equipment co-operative, Eredu, there is a substantial proportion of women workers. Ostensibly, there is equal pay since all wage levels are governed by the job evaluation system which draws on the usual criteria for evaluating each job: responsibility, experience necessary to do the job; working conditions; level of skill.

- 89 -
The fundamental difficulty at the large co-operatives, such as Copreci, remains one of trying to reconcile scientific management techniques, believed necessary for efficient production, with the ostensibly democratic structure of the co-operative. The Caja and managements of the co-operatives concerned have, advisedly, taken this problem seriously. They sent a team out to the Volvo works in Sweden and, as a result, announced experiments in job rotation and small group working in Copreci. This was resisted by more conservative elements in the workforce who feared that it would result in lower production and, therefore, lower pay. The solution was to operate both systems side by side, making any change a voluntary matter.

Evaluation: Some Selected Exits

(a) In a densely populated area subject to a structural unemployment in the basic metal industries, the mainspring of the continuing successful promotion and expansion of workers' co-operatives has been their ability to create employment opportunities, to create more jobs in fact every year since the first co-operative was founded. In a number of interviews with managers and shopfloor workers, the response to questions about the origin of the co-operatives emphasised the lack of employment opportunities in the area. Many of the co-operatives were initiated or formed by young unemployed workers. For example, the resuscitated former failed capitalist enterprises of Gurola (furniture) and Ampo-Poyam (valves) and the machine tool manufacturing co-operative of Soraluce. In the latter case, in Plancencia, a town of nut, bolt and screw factories, many young people were out of work. About forty of them combined to buy some land for development and then approached the Caja, finally obtaining its financial backing. This co-operative now employs over 200 people (128 in 1970). It might be thought that saying that the Basque co-operatives are successful because they create jobs is putting the cart before the horse. The cannot expand employment unless they are successful, it may be argued. While this is true, it must be emphasised that one of the ways in which the co-operatives and the Caja Laboral Popular have been able to gain the confidence of the community is by job creation. After all, conventional capitalist enterprises can be successful and profitable and yet reduce employment opportunities in a given area. This is because the labour is beholden unto capital, capital is not beholden unto labour. Capital can move where its owners wish, without much restraint from its labour force, given the fait accompli nature of most factory closures. In the co-operatives the labour force itself has hired the capital and once the co-operative enterprise starts to make profits and grow internally the capital cannot move.
because it is paid for and locked in. The workers still earn their daily bread courtesy of capital; there is undoubtedly some degree of self-exploitation; objective alienation must on any definition be present. Yet the fact remains that the method of co-operative ownership of the means of production gives the labour force some control over capital: asset-stripping, for instance, is effectively ruled out.

(b) The driving force of the Basque producers' co-operatives is the Caja Laboral Popular. The proponents of the co-operatives among the Caja's managers like to describe the co-operatives as decentralised and possessing considerable autonomy. Of course they possess considerable autonomy in producing and selling their products on the open market, but in fact the whole system of workers' co-operatives and second degree co-operatives is extremely centralised with the C.L.P. virtual overlord of the operation. It makes a lot of sense to consider the co-operatives as task forces or platoons with the leading personnel of the Caja as the general staff at headquarters. How can this conceptual image be sustained? Firstly, control over the individual enterprises at their inception is tight and continues to be stringent as long as they are in association with the C.L.P. At the beginning any proposed co-operative project is systematically investigated by the empresarial division of the C.L.P. The would-be co-operators are themselves thoroughly screened to ensure acceptable motivation. Nowadays, it is often the case that the Caja has the whip-hand from the start, having very often initiated the co-operative project and product development itself. When workers approach it, it has a project ready. They have to work out a basic structure and choose a manager, otherwise the Caja will suggest suitable managers, from among whom they can choose one. This manager is seconded to the Caja Laboral Popular's Empresarial staff for two years, with his salary paid by the Caja but to be regarded as a debt incurred by the future co-operative. One member of the promotion section also becomes the 'godfather' of the co-operative; he and the manager work together on the preparation of a viability study of the co-operative project. The 'godfather' continues to attend all meetings of the co-operative during its first year of production. The Caja will grant extended credit to cover the losses of a new co-operative for its first two, maybe first three, years, but this must be repaid once the enterprise makes a profit. Even when the enterprise has made sufficient profits to repay its loans to the Caja, the relationship between the Empresarial Division and the established co-operative continues. The co-operatives are required by the contract of association to provide the Caja with a five-year plan; a more detailed budget for the present financial year; annual audited accounts for the previous year and monthly operating statistics. The economic
staff of the Caja integrate the five-year plans of the individual co-operatives to provide a broad perspective of group development. This is thought to assist day-to-day decision-making and is analogous in a way to forecasting by industry-wide economic development councils in the United Kingdom.

The monthly operating statistics can be checked against the annual budget and this can give early warning of mismanagement. In the event of this the Caja may impose financial conditions, and if there are serious problems it can present analyses of managerial errors to the co-operative's junta rectora. Since in theory this board is representative of the labour force and responsible for safeguarding the workers' capital, it can decide to replace the executive management. Occasionally this has occurred - on the initiative of the Caja.

(c) This extremely centralised mode of operation is very much related to the Basque nationalist ethos of the Caja. The overwhelming majority of the staff at the Caja, particularly those in executive positions, are Basque-speakers. This almost certainly arose from custom and practice but it has now been formalised and written into the selection and appointment procedures. When there is competition for vacant posts at the Caja, each candidate is marked on points out of a hundred, his score depending on factors such as age, educational qualifications, industrial and technical experience. Out of the total possible 100 points, 15 depend on the ability to speak the Basque language; in the case of most appointments this must surely prove decisive.

Such discrimination is a repugnant feature of 'cultural nationalism' and there is little doubt in my mind that the term 'cultural nationalist' can be fairly applied to most of the staff at the Caja. While it is always a little suspect to generalise political opinions of even a limited number of people, broadly they favour increased autonomy and a greater degree of self-determination for the Basque provinces. Some favour separation and independence from Spain and while officially, the methods of E.T.A. are rejected, there are some indications of sympathy for its objectives; there is no condemnation, for example, of the political strikes against the government in protest against unemployment called by E.T.A. which affected the co-operatives.

On the other hand, while other workers showed their discontent with 'el Pacto de la Moncloa' (a type of social contractor incomes policy of 1978), in the co-operatives of Mondragon this was passively accepted as if it was of no concern.
It is arguable that there has been some goal displacement among
the staff of the Caja. It started as a fairly modest operation to
establish a savings bank and start some new co-operative enter-
prizes. It has been far more commercially successful, as have the
co-operatives, than the founders would have believed possible.
This has encouraged greater ambitions in the minds of the executives
of the Caja and the co-operatives. Some now perceive the bank and
the co-operatives as growth points for indigenous Basque economic
development and bastions against multi-national capitalist
development in Spain. Set against the unavailing efforts of
sovereign governments in the United Kingdom and elsewhere to
control and fetter multi-national companies, such an attitude is
understandable. It expresses not only the prejudices created by
eras of socially irresponsible capitalism in which whole
communities were exploited for their natural resources and labour
power and then ruthlessly abandoned, and fears about future problems
(such as redundancies) to be created by mobile international
capital. In addition, it reflects anxieties about capitalism's
flattening process of assimilation and subversion of cultural and
national characteristics, such as the Basque language. The only
practicable form of resistance is to gain control of some of the
'national' means of production. Then you can see your regional
economy pull up by its own bootstraps and lessen dependence on
private capital. You can finance your own schools in which the
Basque language is used. The zealous young evangelists of the
Caja invest great hopes in self-sustained growth to maintain and
advance Basque culture and nationhood. This can have its ugly
side: the personnel director of the Caja complained vociferously
to me about unemployed workers from Madrid and other cities moving
into the region and having to be financially supported. "Let
Madrid take care of its own", he said. He complained, in effect,
that the workers came to work in the construction trade and then
became unemployed and were a 'charge on the parish'.— hardly a
progressive outlook.

The Caja enjoys considerable prestige throughout the provinces
of Guipuzcoa and Alava. It is a commercial success and the 'open
door' policy shown towards prospective new entrants into the
co-operatives ensures continuing goodwill among communities which
have experienced the incursions of capitalist concerns to exploit
iron ore and other local resources and their abrupt departures.
From the start the Caja has been profitable, and much more so than
the co-operatives. With an eye to long-term solidarity with the
members of industrial co-operatives, its ruling bodies have decided
that to share in enterprise profits in the same way as do members
of the industrial co-operatives would be unfair. Instead, the
bank's staff receives as its profit share a sum equal to the
average distributed in the total co-operative group.
For all that, there are some complaints from co-operative members that there is too much centralization. This is in part an inevitable consequence of the Caja's staff taking upon themselves more and more the role of economic planners and taking quasi-governmental decisions about where to locate industrial enterprises. In part it is also a consequence of the generally enthusiastic and vigorous managers in the newer co-operative enterprises chafing under over-rigorous monitoring of usage of their hefty loan funds by the representative of the Caja.

(d) Workers' Control and Market Imperatives in the Co-operatives

It seems remarkable to me that, in the light of massively-documented experience of the operation of two-tier company boards of management in West Germany and elsewhere, anyone can seriously suggest that the junta rectoras in the co-operatives can exercise control over the management. For the junta rectora or control board is precisely analogous to what is called, under co-determination the supervisory board. Few members of the co-operatives really believe that the junta rectora acts as any kind of check on managerial prerogative; it is not designed to do it, except when used as a Trojan Horse by the Caja, and meets too infrequently. Oakeshott, evidently believes in the control function of the junta, but it suits him to do so, for he has a particular and restricted concept of 'responsible' control as can be judged from this paragraph:

"In our view the debate about participation often misses the crucial point: the workers' financial interest in the success of the firm they work for needs to be clearly established if they are to have a responsible share (my emphasis) in its final control. Employee representatives on company boards as reconstituted according to the Bullock majority proposals would enjoy power without responsibility; conversely, shareholders' representatives might find themselves in the hopeless position of having responsibility without power." (1)

Even ignoring the assertion (unsupported by any evidence) that employee representatives under the Bullock scheme would enjoy power without responsibility (most research seems to point to the opposite outcome), this perspective is strongly managerial in tone. What Oakeshott is looking for in his 'responsible share' in control is a greater acceptance of managerial prerogatives.

---

1. R. Oakeshott et al., op. cit., p 19
Financial ownership may well inculcate company loyalty but what or who is the 'company'? In its day-to-day operations in production and marketing the managers are the company, of course. So it is Oakeshott who misses the point in ignoring the separation of ownership from control in the co-operatives. This does mean that control will be exercised in the interests of the controllers or managers and they will value company growth and, as its necessary concomitant, profitability. In study after study of industrial labour self-management, the prominence of technical and managerial grades emerges as the finding. It would have been surprising if the Basque co-operatives had been found to be different in their mode of production. Their position is well stated by Crompton and Gubbay:

"Workers' co-operatives... are clearly economic enterprises and the evidence demonstrates that they develop managerial hierarchies, separating control from co-ordinated labour. Thus as they operate in the market they come to be capitals rather than non-capitals, even though their controllers may be elected or the members subscribe to a co-operative ideology. The most democratic firm can only maintain its viability in the market if the bulk of its members accept no more than market wages and work at no lower productivity levels than comparable enterprises; co-operatives cannot opt out of capitalism." (1)

The Mondragon co-operatives in fact go further and meet capitalism head on, thereby opening wide the cleavage between scientific management and their ostensibly democratic structures and ideology. This contradiction provides scope for a possible trade union consciousness among shopfloor co-operative members. There are some anxieties in management echelons about trade union penetration and even now such worries may not be groundless at Ulgor and Copreci, the larger co-operatives. The contradiction is most unlikely to be resolved by the re-vamped social councils which are transparently a kind of functionalised social technology at the disposal of an oligarchy of experts.

(e) Job Satisfaction and the Quality of Working Life

Do the co-operatives come anywhere near realising Marx's concept of work as fulfillment, as the 'species essence of man'? Certainly not. There is, to be sure, objective alienation in Marxian terms. Arguably, however, the concept of alienation is much too vague to satisfactorily explain the complexity of the attitudes of workers to the monotony of work and to division of labour. What we can

say is that working conditions, including job regulation and health and safety, are not appreciably better and frequently poorer than in capitalist enterprises engaged in similar production.

The truth is that the easy dismissal of co-operative production as having to accommodate to capitalist market surroundings is an accurate but limited view. The words of Hobson on industrial self-government, written in 1922, are relevant:

"The direct object of such government will be to secure prosperity for all members of the business. Success will be dependent on mobilising group opinion in favour of efficiency - the test of good government will be whether its constituents get a satisfactory gain. What the worker will continue to be after and what underlies all demands for 'status' and representative government is pay, security of livelihood, hours and other conditions, all dependent on and derived from the prosperous and efficient working of the business.' (1)

I am sure that if this were translated into Basque it would be emblazoned in the offices of the Caja Laboral Popular.

(f) The Workers' Co-operative Economy

In an earlier preliminary short article I (2) argued that the Basque workers' co-operatives should be examined as a positive model for job creation in Britain but I was already very cautious about their role and it was clearly not my intention to follow Peter Jay and advocate an economy in which control of each company would be vested in all its employees (abolishing management, employers, unions and collective bargaining). (3) In his model, investment resources (banks, pension funds, private capital) remain in private hands while the government abides strongly by monetarist

1. J. Hobson, The Efficiency of Labour (Leonard Parsons) 1922 Ch. 5.
orthodoxy. This would be an economy of workers' co-operatives in name only because in reality it would be labour-only sub-contracting by finance capital throughout the economy (1). My own interpretation of the workers' co-operatives associated with Mondragon is that they do indeed form just such an economy in microcosm, with the Caja Laboral Popular as the independent financial capital which is hiring the sub-contracted labour.

Discussion

Speaker from New Statesman

It seems to me that one would expect to find the contradictions that have been explained in the last contribution; it would be strange if they did not actually exist. When I was there I noted exactly the same thing about Taylorism and so on, and it is interesting that the strike, which is something that I think researchers have not spoken enough on, was caused exactly by the fact that they tried to impose Taylorism, or refine the Taylorism that was already there and the workers struck because they were not prepared to be re-designated to their jobs. But what came out of the strike (although seventeen people were dismissed as sixty per cent of their fellow workers agreed they should be) was that the Caja Laboral Popular actually took a hard look at the division of labour and the labour process itself. In fact, many of the new innovations have come from the Caja Laboral Popular and they tell you when you speak to them it is very difficult for them to suggest changes because there is quite a strong reaction against change and quite a strong conservatism within the workforce, particularly the older workforce. Many of the younger people are very interested in trying out alternative labour processes, rotation of functions and so on, and one of the things they have decided on as a result of the strike is that they don't set up enterprises of more than five hundred workers, exactly for the reasons of alienation, the fact that the management becomes very distant from the workers and the control of the workers over management is so much less.

So I think that to put the emphasis too strongly where you have put it is also misleading, just as it is to say it is all wonderful and perfect.

The other thing I think that is interesting is the Keith Joseph attitude. It is not only that he feels workers will be more compliant when they own shares in a company in equity, but it is also because it is very important to capital, to overcome the contradiction of the capital-labour relation in itself, which exists whether it is a co-operative with worker-ownership or a private enterprise. What they really hope to achieve (and this is what Oakeshott, Bradley and Jay and the other people who have written about Mondragon or co-operative economies have all emphasised, and the entrepreneurs here have emphasised) is to displace this contradiction by moving out of industrial capital into finance capital so that you can expropriate the surplus of the workers, without having the problems of containing the conflict at the point of production - you leave that to the workers.
That is the reason for the main drive to set up co-operatives from the right in Britain. It is very important to see it in those ideological terms.

Secondly, I think it is important to understand the material basis of the success of Mondragon and amongst all the description, it is quite easy to lose it. The first thing is that if you look historically at the co-operatives in Britain, (and not only the set-up co-operatives, but way back in the nineteenth century and before) one of the main reasons for their failure was access to a secure source of finance, and I think that that is absolutely fundamental to the success of the Basque co-operatives. It is no good saying that the financial market can provide the same thing, because the financial market will inevitably produce competition between co-operatives to secure sources of income, of finance, and therefore, unless you have some form of finance that is outside of those markets you are going to get all sorts of distortions which actually increase the division between co-operatives. It is very important to avoid that.

The other thing is that another material base for Mondragon’s success, with all its contradictions, is the fact that it provides, through the polytechnic, skilled labour, both managerial and technical, which is imbued with the co-operative ethic through working in the factory next to the polytechnic for part of the training period, so that, when they come out, the new workers of the co-operatives, many of whom are going to be managers and technicians, actually have a co-operative ethic. This avoids buying in your management skills from outside - as most co-operatives that set themselves up "straight" have to do.

I think the thing that is most contradictory is the fact that the divisions of labour, both manual and intellectual, between men and women, in hierarchies etc., the growth of the nuclear family, the whole way society is fragmented, both at the point of production and generally, all these divisions (which I would suggest are imposed by capital through the development of capitalism), are emphasised by the sort of divisions that occur at the point of production and flow from it. It is absolutely essential that in thinking about co-operatives, one also addresses the ways in which those divisions can be broken down - all those divisions - because unless we can see the way forward to a unity where you get rid of those things, you are going to have all the conflicts that occur in capitalist enterprises, all the conflicts that occur in society generally, conflicts between co-operatives themselves. It is important to lay an emphasis on those things.
Alan Taylor

I would like to make two points on the kind of message which, as Jack says, the media have picked up and presented about Mondragon of "here is a magic thing which has been a startling economic success"; the two points are these. First of all I doubt whether Mondragon has created any extra jobs in Spain. Its achievement has not been to magically mop up unemployment in the Spanish economy, but to redistribute by successfully concentrating the savings from one community and one area. So if the media has tended to look at Mondragon and say "Wow! creating eighteen thousand jobs just like that in one place as a magic cure", I don't. I don't think it has anything to do with it; it is to do with community control of savings, and how far the capital market is free to move savings around and how far one community can establish some degree of control. So let's not talk about co-operatives, or Mondragon as a cure to unemployment; I really don't think they are; they are about how economic benefits are distributed, not about "the size of the cake".

The second point is (and this is the particular point Robert Oakeshott made) that Mondragon-style co-operatives have a greater growth rate which exceeds other types of co-operatives. I really don't think this is true... Over the last decade, about five thousand jobs have been created in co-operatives in Britain, almost entirely in ICOM co-operatives and in similar entirely worker controlled co-operatives and I would expect that that is equal to, or in excess of Mondragon's rate of growth in its first ten years: after all, it has only got to eighteen thousand after some twenty-five years. The level is similar and I don't think there is a superior performance. Mondragon did, after all, have the benefit of a booming Spanish economy. So it is not true that it has a superior performance.

Alan Oberman

You have made a pretty damning report on Mondragon. Our view of co-operatives is that we like co-operatives and we want to see them as organisations for social control and therefore, we would like to see worker co-operatives develop in Britain, but along the lines that I tried to enumerate. Now, you made no comment about the replication of Mondragon in Britain: I wondered whether you would like to: I mean, do you damn worker co-operatives full stop?
Chris Logan

In the last five years, while unemployment has risen in the Basque country by five per cent, in the co-operative movement the number of jobs has increased to the current level of 20,300 jobs and if you take the employment creation since 1960, when you could talk equally of Mondragon and associated co-operatives, which were not physically or spatially located in Mondragon exclusively, then you have a growth from approximately 110 people employed with £60,000 assets, to 20,300 with current assets of £3 million and I would like to see anybody (except in the service industries) replicate that performance anywhere, either in the Spanish economy or in the British economy.

Elliott Stern (Chairman) from the Tavistock Institute

I want to pick up one point. I was very interested in your observations about scientific management and one of the points that struck me a number of times, particularly when people were talking about the trade union role and the issue of the interest and the role of management, has been the under-investment and under-investigation by trade unionists, as well as by co-operators in issues to do with alternative forms of work organisation. There appears to be little interest in replicating ways that will not lead to management becoming an interest separated off from other members of co-operatives. I am thinking of issues of rotation which have been referred to as self-management; a lot is known in those fields and somehow or other it seems to have got compartmentalised off from the knowledge that is available and freely used by both trade unionists and by co-operators (and I say this from a trade union perspective as one has worked with a trade union for the last couple of years on issues to do with internal work organisation). I have been struck how foreign it is for them to think in those terms.

Reply by Jack Eaton

You are right obviously. Trade unions themselves have not been very rapid in putting their own houses in order. The Tavistock Institute does seem to have produced studies about job rotation and so on, but I don't know why they haven't been taken up.

The other questions are most important. First of all, somebody produced a deserved castigatory corrective to my tendency to perhaps go a bit too far against the popular image being pressed forward by television programmes and various newspaper articles that we should all go overboard for a Mondragon-type system. I am very much opposed to that, particularly because it is linked with some sort of individualistic concept. I think that this is not the
sort of thing that is going to encourage and interest the trade unions, local bodies of trade unionists, convenors or shop stewards, in taking up the co-operative concept. I am not opposed to the Mondragon notion, but I am very firmly of the opinion, and it will take a lot to shift me, that it is indissolubly linked with Basque nationalism. I suppose it may not be popular to say that, but that was the sum total of my observations. I think it is most important among the managerial personnel, that they see themselves, in the long run, delivering themselves from the hands of the multi-national companies via this type of organisation. They realise that is going to take a long time, but we find in different regions of this country a vastly different problem to face. I think it is of very tenuous relevance, but hitching your wagon to the star of nationalism is far too high a price to pay to get a few co-operatives going.

We must also accept the point made that very few jobs would be available to counter unemployment by setting up co-operatives, at least in the short term. That is right. Capital is evidently becoming more and more concentrated, so you must find a way of trying to come to grips with and confronting questions of segmented accounting, transfer of funds, flows of capital, which can't be done through setting up co-operatives. There must be a way of trying to establish workers' investment funds which are part of multi-national companies and large-scale companies. After all, a quarter of employees work in large companies in the private sector. That seems to put the thing in perspective.

The polytechnic: We thought when we went, that whilst it might be useful for people to do these sorts of jobs, building circuit-testers and that sort of thing, a lot of the tasks that were set for the students and apprentices in Ale-co-operative were of fairly minimal use for their futures. But what it did seem to do was inculcate a culture and a nationalistic drive - and it does give them the chance to pick out some very talented people to become competent managers, it is very good process for that. They do have some very switched-on managers; we agreed on that, some very trendy and alive people - young managers too - (young managers which we don't seem to have here).
Mondragon Interpretations

(Summary Paper) - Roger Spear (CRU).

Before attempting to summarise the contributions from this conference, I want to examine how various writers have interpreted the Mondragon experience.

Oakeshott¹,² considers environmental factors important - market conditions, Basque culture, and the extraordinary qualities of the priest Arizmendi. However, he considers institutional (mainly the Bank) and structural factors most important and in particular places most emphasis on the workers financial involvement in the coops through a capital stake.

Campbell³,⁴,⁵ et al takes a similar line. Indeed an emphasis on capital stakes seems to be evident amongst progressive economists, capitalists and liberals (though some economists (Jay⁶) point to the inadvisability of combining capital and employment risks). A contrasting political position is taken by the Royal Arsenal Coop Society⁷ - while critical of the level of democracy they point to the available financial support (through the C.L.P.), management motivation and labour attitudes as key features, and emphasise the importance of Basque nationalism and the community spirit as a unifying factor and driving force behind the success of the coops.

Eaton⁸ has a similar mixed position. While suspicious of the extent to which the coops can achieve their ideals in a 'sea of capitalism' and clearly critical of the technocrats' domination of the democratic processes, the scientific management, the centralised control exerted by the C.L.P. etc., he recognises Mondragon's strengths - the mutual supportive relationship between coops and the community generated by job security and job creation policies, the driving force of the C.L.P. (with the disadvantages of centralised operations), and the good industrial relations induced by small size and more equitable wage differentials (though his suggested future role for unions in countering the power of the technocrats will change the pattern of Industrial Relations). His perceptive view of the partial C.L.P. goal displacement from coop development to regional/national development neglects the integrating advantages of such a move.
Logan notes that despite the economic advantages of tariff barriers and Spain's rapid growth rates during the middle period of the coop movement's life, success can be attributed more to low social stratification, linked to low wage differentials and strong community spirit, the small size of the coops, the guiding role of the bank, job creation, job security and social management. As far as industrial democracy and job satisfaction are concerned he points to the paradox that management appear to be more progressive than the workers. Johnson and Whyte argue that through the development of an impressive learning system Mondragon has managed to solve a number of critical problems - capital accumulation, stability and growth (through the development of institutional support), and integrity (its form of ownership makes it almost impossible to revert to private ownership). The coops have also solved the problem of growth whilst retaining the virtues of small size (through structures); what's more they have done this through an entrepreneurial and planning system that has treated profits as a limiting factor in the development of the Basque region. However the contradictions of Taylorism and industrial democracy remain. Bradley (at this conference) argues that the coops' economic success can be attributed to high trust relationships, horizontal control generated by profit sharing, and self discipline encouraged by strong monitoring. A further vital factor in the stability of the system is the low labour mobility with consequent low capital mobility. This is affected by strong community/coop links, and employee screening. Thomas suggests a further factor reinforcing the high trust relationships and strong coop/community links. This factor is the financial structure of the coops - the distribution of surplus reinforces the local collective/community ethos in two ways, directly through the social fund, and indirectly in the provision of new jobs through the reserve fund. Within the coops the principle of solidarity has been maintained through the distribution of earnings and the distribution of wealth. Furthermore, through factors such as job security, slightly above average pay, good social services, and promotion opportunities, the coops have managed to subordinate today to tomorrow in economic terms.

While M.A. Saive does not provide us with an analysis of Mondragon's key to success she does point to some of its unique achievements. Its promise of job security means that it has had to solve the problem of structural unemployment by a system of vocational training. It has provided a way for the community to invest in its own future by saving with the bank. The result is an alternative model for a regional economy, less given to
multinational flights of capital, factory relocations and dismissals (N.B. there may be undue risk in such an arrangement - the problem of putting all your eggs in one basket). She also argues that the decision-making system is a system of coordination and provides a genuine alternative to centralisation. The problem of withdrawal of funds by retirees is unlikely to become critical until the year 2010 and with only 3% union membership there seems plenty of time to negotiate a relationship with unions.

A rather different interpretation is provided by Quintin García (13) who notes the significance of the Basque traditions and culture and emphasises the importance of Christian Socialism in the movement. (Catholic attitude to coops is clearly supportive (14) - since 1891 industrial participation has been regarded as a measure supporting the 'common good', with subsequent discussion over whether it should be regarded as a right or not). Aranzadi (15) whilst recognising the Basque factors, places most emphasis on the qualities of the leadership (achievement need and 'other directedness' (16) in business practice, though he accepts the view that the priest played an important role in maintaining ideals of social justice and cooperativism. Similarly Trivelli (17) argues that success was due to sound management, the primacy of efficiency and absence of conflict based on a strict recognition of the respective duties of management and workers.

Gorrón (18) in an important study (more comprehensive than Ballesteros (19)) coops and lists a range of factors contributing to their success including: the industrial tradition of the area, the availability of skilled labour, a partially closed and relatively developed economy (and the consequent possibility of achieving a higher marginal productivity than that achieved externally); a social milieu favourable to the idea of worker participation, the ability to make 'difficult to understand things' work (e.g. the democratic processes in the coops), group federations (especially in consumer durables), the sixties boom; the importance of the institutions (school and bank), the principle of solidarity reinforced by economic mechanisms of capital self financing and labour 'rewards, the quality of the leadership. A more specific but generally highly informative study by Ornelas (20) finds that the EPP does not reproduce cooperative values and attitudes; these are derived from the

*Aranzadi - Interview at University of Deusto, Bilbao, Sept. 1980
†Now a Senior official in the bank
Basque culture and history. Instead the EPP contributes to the reproduction of labour power in the coops (however, it has a more democratic and egalitarian organisation than conventional Spanish schools).

That brief review of the literature seems to cover most of the possible interpretations. However the theoretical framework for coop development discussed in another paper (21) suggests a way of reconstructing this patchwork into a more complete study.

The success of the Basque workers cooperatives is a social, political and economic phenomenon which requires contributions from each of these disciplines for an explanation. They also have an historical dimension that seems particularly important considering the unusual circumstances regarding their birth and early development. A review of coop development in various countries' relevant economic, sociological and political theory, as well as organisational and inter-organisational theory, suggested a number of problems, issues and factors important to a theory of coop development.

The key thesis behind these problems and issues is that if a social innovation/industrial workers coops', is to sustain itself as something separate and distinct from the dominant culture then it has to maintain the necessary conditions of economic survival and ideological integrity. Or to put it another way the historical development of social, economic and cultural factors will determine the kind of cooperative identified at a particular time and place. Coops are not well defined and clearly recognisable "objects", and though they have family resemblances, their economic and ideological nature is extremely varied and has to be discovered from an empirical and historical analysis of idealistic and materialist factors.

Consequently it is not assumed that all coops have the same problems - a contingency approach is required as the cooperative form allows a plurality of ideological positions, and each of these may have its own peculiar problems (as suggested by the following typology of coops - start ups, defensive, radical, handover and traditional (22)). This pluralist position is in stark contrast to those universalists of all sides who argue that - the main function of cooperatives is the improvement of the quality of working life (liberal-democratic position), or that coops are egalitarian organisations and capital should be socially owned (socialist position - N.B. coops fit well with associational versions of socialism but rather poorly with state versions).
Turning again to Mondragon and the contributions to the debate at this conference, it is possible to evaluate its successes and failures in terms of the following problems and issues (derived from a previous paper (22)).

1. Formation process

The priest was obviously the key figure here for several reasons. Firstly his personal qualities and capabilities were out of the ordinary; secondly he was a Basque and understood the culture; thirdly the Basques are strongly catholic. His role (as a social entrepreneur) in the community was legitimate and acceptable; fourthly the role of a priest is well nigh perfect for providing the balance between support and distance necessary to catalyse a self-help cooperative initiative, as well as providing a high degree of continuity. The early moves to establish a school with community support would fit well with his role as community priest yet the coops and bank that came after were a separate development that nonetheless received community support. It established a pattern that has been important in the continuous development of the movement. Interestingly enough the initial motivation behind the new enterprises was an opposition to capitalist organisations and a vague desire for something different and better; JMA gave shape to their alternative ideology through his Catholic Basque concern with Social Justice and participation, the later adoption of the coop form seems to suggest it was a vehicle for attaining such ideals rather than the ideal itself. This view is supported by the fact that Spanish Catholic Coops are different animals (more Capitalist) from the Mondragon coops.

A further important factor in the information of cooperatives is that Spanish coop legislation is favourable — it gives coops some economic advantage and it promotes community links. Many of these early values are still there and have become institutionalised e.g. firmly established community links and the early (informal) corporate leadership. They still seem appropriate and comparatively very effective in dealing with at least one of the current problems — the recession.

2. Entrepreneurial Issues

On almost all counts, economic and social, this issue, which has plagued many coop experiments in the past, has been successfully tackled and institutionalised. The common view has been that in the capitalist economy, you have a single all singing and all dancing character called an entrepreneur, who goes out and does
it. I think that the fact that in this country we have a very high percentage of large firms dominating the economy, shows that there are considerable problems in operating this entrepreneur role within the U.K. The Mondragon example seems to show that the role of the bank has been paramount in institutionalising this entrepreneurial function. The way this experience is being interpreted here is the need to set up some kind of resource centre which can provide skills for dealing with problems of product-choice, problems of finance, problems of finding sites, problems of providing skills and expertise, recruiting labour and so on.

Now that seemed to be one paramount example of a lesson which we can learn from Mondragon.

Secondly, I don't think that is all that is needed. We can look at different experiences in different countries and experience within this country. We need to look for different models of coop development. I think the Mondragon example of the bank and resource centre which exists there is one example of a model of coop development which appears to have worked and appears to deal with the entrepreneurial function. I am sure there are many others that exist at this moment; we need to identify those and perhaps exchange notes with local coop development agencies and community enterprise agencies and so on.

3. Growth

Here an eclectic approach involving collaboration, conversions, takeovers, mergers and new product spin-offs, has been intelligently pursued. The truism 'nothing succeeds like success' has ensured business and savers' confidence, and the attractiveness of the schools, thereby providing the necessary ingredients (expertise, capital, labour) for economic success. The unique combination of growth and small size (through federations) has, to a certain extent, avoided the problem of alienated labour; this is particularly so in the case of immigrant labour, though this is more likely to be a second generation problem which the growth of Basque schools may ameliorate. The current recession coming straight after the boom sixties puts extra pressure on the coops for growth - to redress the imbalanced age structure and avoid large capital depletion of retirees. There are ideological questions over the type of coop formed by conversions; but a more important issue is whether the policy of

* Only 1 coop failure
growth and small size has allowed an over centralisation of power in the bank - it may be that the current federalisation of coops (for different (economic) reasons) and current negotiations over the role of the unions may ensure an infrastructure consistent with Mondragon Coop ideology. Finally, referring to Schon's (24) diffusion models, the strong economic base (in the bank) has centralised the pattern of diffusion - this suggests that sooner or later the provision of alternative diffusion centres (involving the school/bank community complex) may be useful for further growth.*

4. Stagnation/Renewal

The converse of the above point is that the current pattern of centralised growth will result in an unwieldy unresponsive beast with internal contradictions ultimately producing stagnation and/or conflict, unless some kind of structural differentiation takes place. The pressing problem at the moment however is the recession and subsequent renewal of a high growth rate to deal with capital withdrawals of retirees. The economic side of this seems well catered for through Ikerlan, and the school; new markets (export) may be more problematic. The ideological side is more difficult. As Ornelas argued, the school reproduces labour values, whereas coop values are derived from the catholic Basque culture and the reproduction of these within the coops has relied substantially on the efforts of the priest. The results have been admirable, but with the death of the priest it remains to be seen whether ideology is maintained through workplace reforms following conflicts (as in the case of the strike) or whether the union has an important role as guardian of the coops ideological praxis.

5. Degradation/Goal Displacement

The strong form of ownership and favourable coop legislation must be considered powerful defences against degradation. The record on goal displacement has become more complex.

While cooption of community leaders into the coop movement can

* The applicability of Schon's models here is contentious and requires further research, however it does provoke certain questions about the Mondragon pattern of coop development and what pattern of future growth is consistent with its ideology.
only strengthen it and reinforce its community orientation, there
is considerable force in the argument that the use of super­
ordinate goals of Basque Nationalism and regional development
carries certain dangers. As a conflict resolution device it
may be effective with Basques but alienate immigrants* - though
employee screening and involvement through subsequent training
and the provision of Basque schools may minimise this tendency.
As a new goal for the coop movement it has the advantages of
providing a wider legitimacy for the Mondragon coops and perhaps
a socio-economic model for a potentially autonomous region but
weighed against this is the extent to which it represents the
ruling elite rather than the membership, and the political
difficulties of many nationalist movements (although the Basque
case must be considered strong and enduring to date).

Curiously enough it may be the wider changes around the coops
and around the Basque country that may pose the greatest threats
to the coops' integrity - the economic changes associated with
Common Market entry, the democratisation of Spain, particularly
reforms within the workplace, improved State provision of Social
Services, increasing affluence and mobility breaking down the
community, etc.

6. Management/Expertise problem

The significance of the priest and his mentor role has already
been discussed. The provision of skills and expertise through
the coops' own schools (including the polytechnics) has allowed
a policy of promotion from within (except for a period during
the 60's when top management was recruited from outside on a
contract basis). This policy has reinforced the trust and
solidarity within the coops; it has also strengthened the
community support. The main cost seems to be borne by
management who, because of low wage differentials, could probably
command substantially higher salaries elsewhere - compensations
may be in the form of superior fringe benefits - medical service,
pension, training, etc. The quality of the corporate leadership
is so high that the adequacy of the checks and balances on their
power remains undetermined. The main item of evidence - the
strike resulted in some democratic reforms, but checks on
management power within the newly emerging structure of coop
federations and the bank and school, remain to be examined.

* Immigrants from other parts of Spain
7. Economic Issues

The fact that the first coops were established during a period of political uncertainty and a stagnating (though partially closed) economy, reflects considerable credit on the skills and decisions of the early cooperators. They were in a good position to exploit the boom sixties with capital from the bank and skills via the school, and significantly a (Japanese type) policy of using product licences and improving the products and production technologies. The gradual development of a sophisticated business and economic planning division in the bank has minimised small business problems - imperfect market information, inadequate financial planning, etc. Federal structures and worker redeployment have so far helped stave off the worst effects of the recession. But this does raise the question of capital stakes - the loss of a job and accumulated capital in a prolonged recession seems iniquitous. This has to be weighed against the apparent advantages of low mobility, a high level of training and work flexibility, tendencies which the capital stake reinforces.

8. Ideological Issues

A central theoretical consideration in the approach adopted here is that there are a plurality of ideologies pursued under the name of cooperation and the success of a particular type of coop will depend, among other things, on the culture (or subculture) and social movement (in Schon’s sense) with which the coop is linked. In the case of Mondragon, the formation process involving a grass roots initiative and a culturally sensitive catalyst (the priest) predisposed the development to a culturally compatible model of cooperation. Hence the Basque cultural values of solidarity (community), self determination, nationalism, and social justice (derived from Catholicism), can be readily identified in the character of the coop movement. Low wage differentials, the financial structure and the resulting investment in the community, the jobs for life contract, the provision of Basque schools, regional economic planning, are just a few examples. So successfully have the coops provided

* Ideological disputes over the capital stake vs social ownership of capital could be enlightened by a serious study of the practical alternatives and the behaviour each encouraged e.g. who controls socially owned capital, what kind of capitalist behaviour is encouraged by a capital stake etc.
for the community and their workers (education, training, medical care, pensions) that they face the charge that many self help organisations face when they grow beyond a certain size - that of paternalism. Furthermore where there are questions over the actual level of participation and the adequacy of checks on the power of the dominant coalition, then this charge becomes more difficult to answer. On the other hand perhaps paternalism is culturally accepted, if not required. Perhaps a certain level of paternalism is infused in the culture through catholicism and 30 years of Franco - it doesn't appear to be considered a problem by the locals and the workers. This degree of involvement by the cooperative movement in the lives of workers and people in the community has meant that most legitimation issues have been successfully dealt with: within the movement the only major conflict - the strike - forced certain changes; the different interests of non-Basques does not appear to have emerged as an issue; but quality of working life changes away from scientific management seem to have received a mixed reception (this may be to do with the limited availability of such technology and consequent unfamiliarity). Outside the movement, its legitimation has been achieved partly through community and business links, but mainly through the social, economic and Basque nationalist importance of the schools and the savings bank.

9. Ideological/Economic Matching

In some situations there is a tension or conflict between ideological and economic issues, thereby leading people to believe that 'cooperation' demands something extra, at an economic cost, from the organisation. In Mondragon the reverse appears to be the situation. The high trust - horizontal monitoring and control - and self discipline, engendered by profit sharing is one example; low class stratification - low wage differentials - strong sense of community solidarity is another; economic planning - nationalist spirit is a third; the use of community savings for community investment a fourth. The distribution of surplus to a social benefit fund and to reserves (for job creation) also reinforces the principle of community solidarity. Finally the existence of the school and bank (savings and entrepreneurial) are significant economically and ideologically.

The importance of such mutually supportive relationships should not be underestimated.

* similarly for the distribution of surplus to employees.
10. Power Base Issues

The building of links with power bases is as important as the continuing development of a legitimating ideology. In the early stages the priest (and later the coops) established links with the community by revitalising the Catholic Association; since then they have consistently sought support through the strength of the community. They have also developed their own considerable power base in the bank and the schools. The emerging Federations and the coordinating role of the bank also do much to bolster the power of the coops. External collaboration has been limited but a negotiated understanding with the unions could be useful—especially since the lack of it could be a growing weakness.

A final point on transferability — Mondragon has been built on the cultural features of the situation in a gradual, intuitive, piecemeal but consistent fashion by an inspired grass roots collective. The implications of the approach advocated here are that while different coop models, development strategies and readily available cultural images are important, the wholesale transfer of such models is unlikely to be successful. Rather, elements of these models sensitively selected, 'translated' into the local culture (cf. Schon), to form 'tailor-made coop initiatives by a committed and resourceful grass roots movement, is the key lesson on transferability we can derive from Mondragon.
So that, very briefly, is the kind of framework that we are using to analyse problems of cooperative development. Given that kind of situation, it is possible, by virtue of the literature and so on and looking at the experience of different kinds of coops, to identify a range of coop problems which seem to be tackled in different ways by the different kinds of experiments which have been set up. I want to run through some of these problems in the context of Mondragon and the contributions by the participants in this Conference to try and review which of these problems Mondragon has, or appears to have, dealt with and, in that way, point to how the lessons of Mondragon might be interpreted.

The first problem that is commonly mentioned is the entrepreneurial function, how you set up coops.

The second coop problem is the degradation problem. If you look at traditional coops in this country, they have degraded very much the original ideals of the founders and they have changed substantially. What they are as a coop is substantially different from what we consider to be a coop now, in terms of level of participation of members, ownership and capital and so on. In Mondragon, they seem to have devised a form of ownership which is very, very strong and which appears to be difficult to degrade. It has had thirty or forty years of testing, so far, and it seems to have stood the test of time. It does have two key problems which it is facing; one is how it deals with unions; how it incorporates unions into its structure, what role it sees for unions in its structure; and the second: the problem of capital depletion: I think the Mondragon people have solved the problems of withdrawal of funds up until the point of retiring; at the point of retiring they have still got to solve that problem. I think the first batch of retirees are now leaving but I think that the problem is not expected to be critical for some time - ten or twenty years.

So Mondragon appears to have a strong form of ownership. It also appears to have a very impressive learning system. Now this appears to take the form of a mentor figure (i.e. the priest) and some form of corporate leadership embodied in the corporate leadership of the bank. Whether or not the school also features prominently in this learning system I am not sure. The evidence which I have suggests that it is the corporate leadership and the mentor figure of the priest which have been very impressive in helping, throughout the history of its development, the
Mondragon system deals with all kinds of problems whether they be legal, technical, financial, or achieving their social goals. (Whether it has solved the other side of this expertise problem is another matter; the checks and balances on the power of the experts appears rather weak, witness the power of the technocrats at the bank.)

Secondly, our work suggests that another way of avoiding the degradation problem is by linking the coop sector strongly with a social movement. Now an example of a social movement would be a union socialist revolution-type movement, or some such movement. In Mondragon, the socialist movement which they are strongly linked to is the Basque nationalist movement. I have a quote from one of the founder members of Ulgor, now the president of the bank, in which he says:

"Mondragon coop experience offers a more coherent political programme for Basques than all the major political parties at this time."

and I think that that Basque factor, the links to a nationalist movement, has been an important feature of the coop movement and has been an important reason why it has survived. The fact that they produce reports on economic development of the Basque country, the fact that they produce five-year plans, shows that they are actually engaging in a form of regional planning. I don't think there is any doubt about that.

The next problem I would like to move on to is the kind of support system which is necessary to sustain the coop sector. In the Mondragon coops they have recently established coop federations (a collection of five or six coops which at the moment share service functions, such as marketing, finance and so on); this also provides the facility for redeployment of labour amongst that group of coops. So a coop federation can be both an economic support and an ideological support; economic in the sense of allowing redeployment of labour; ideological in the sense of sustaining the coop ideology.

A second aspect of a support system that is important is the role of the school. I think the school, linked with Ale coop (the students' coop where they can work part-time and study part-time) is an important feature in sustaining the ideology of the movement by screening out people who will not subscribe to the ideals of the cooperative, or who are not committed. In addition it supplies the necessary skills and labour to
sustain the movement. So the school is a most important feature and I think training workshops, which have been suggested by some people are a way in which that feature of the experiment could be adapted in this country.

Another feature in the support system of the Basque cooperative is the degree of local support by the community.

Bradley made the point that with a capital stake there is strong needs for strong community links, to avoid labour mobility and the consequent capital depletion. This appears to neglect the force of the capital stake and many other incentives (non financial) that may tie people to a cooperative. However the point can be looked at in two ways. If you have a capital stake system then you need strong community links; or you can turn the argument round, if you have no kind of community involvement - then another kind of capital formation is necessary so that you can survive without such strong community links. So probably the lesson there is if you are trying to develop coops where there is likely to be a high labour mobility, for instance in a community that lacks cohesion, or in a sector where technological change is likely to be rapid then the use of a capital stake system would be unlikely to succeed.

The fourth problem is the role of unions. In the Mondragon area, the lessons need considerable interpretation. Unions have been banned until fairly recently in Spain; they are still not recognised in the coops. Union members who want to speak in coop meetings do not speak as representatives, they have to speak as individuals. So the example of Mondragon needs considerable interpretation to see how, in fact, the union role fits. But as Logan and Geoffrey suggested, the union can take over a number of the institutional roles carried out in the experiment. It can take over the resource-centre idea; it can promote links between coops (in other words take over some of the bank's roles), but these possible developments need very carefully thinking through.

It is a two-pronged issue; firstly whether the people forming coops are favourably disposed to developing links with unions, and secondly the onus rests on the unions to develop a better strategy for promoting coops. Perhaps we should look at the examples of France and Italy for more direct experience of the way unions are involved in cooperatives.
Next the internal structure and democratic issues: we have seen from Jack Eaton's contribution that although Mondragon has a representative democratic structure, there are still considerable problems associated with the scientific management operated within that structure. The question is whether in fact you can move forward on several fronts at once (i.e., develop cooperatives, as well as new working practices as well as socially useful products). I think there are strong arguments for saying that an incrementalist strategy would have more chance of success. Similarly on the question of democratic structures, I feel we should gradually build on our own experience. Mondragon has one form of democratic structure that seems to work but there are many others in this country which also seem to work and which seem to give a high (perhaps higher) level of participation within the enterprise.

Economic issues: the performance of the Mondragon cooperatives has been very, very good and this appears to be due to a number of factors. One is the capital supplied by the bank. The community-based saving system seems to have a number of important features, not least of which is that in a recession you are unlikely to get the situation where a multi-national withdraws its capital from a region resulting in a high level of unemployment. With a community-based saving scheme there is more chance that you have a more permanent form of economic development because people who are saving can see the importance of their savings; in the development of the local economy, and large scale transfers of capital out of the region are less likely. So in that respect the Mondragon case gives important lessons.

I think the basic thesis behind what I have been saying is that there is a range of different models of coop development; Mondragon is just one from which we could draw a number of lessons. I am sure that there are many other systems which we could use to develop coop sectors in this country and some of the ways in which local coop development agencies are operating appear to be well worth studying.
Elliot Stern - Tavistock Institute

The thing that struck me today was the problem in the kind of discussion that we had; there are three kinds of people who were trying to participate in today's discussion; one group were academics who took a fairly laid-back view and can look at it and assess it in a fairly balanced way and say "Well there's this and there's that", very much as you have just done now and probably as the first contributor, Bradley, did this morning; then there are those who are ideologs and committed to something (maybe a whole range of things) but they have a commitment and what they would want to do is to make a speech about what they believe in from all sorts of different value positions; then thirdly, there are a group of much more nuts and boltsy practitioners who actually want to do something and they are relatively fluid and flexible about what it is they want to do, pragmatic perhaps and essentially their commitment is to get on and do it and, one of the problems that was perhaps replicated to some extent in today's discussion and, occurs out there, as well (this is to some extent a microcosm of that), is the undermining that appeared to be going on between those various groups: between the ideologs, between the practitioners and between the academics and I think one takes it that there is, nonetheless, a common commitment to some form of cooperative enterprise and to the principles which underly it. Then one of the strategies that I think it is quite important to develop is a way of ensuring that those three types of contributors to the mainstream of development of ideas and to debate don't, in fact, undermine each other and, certainly if you took today as an example, there is a fair amount of mutual undermining which does go on and I think the whole coop movement in the U.K., would be much advanced if one could somehow reduce that process between those sorts of groups.

Roger Spear - CRU

To me, it seems that if you consider what the alternatives are, the coop option is far superior, even in the worst conditions, you achieve some form of democratic experience and some form of redistribution of capital which seems well worth while. In the best case you achieve a lot more.

Un-named speaker

But is that necessarily so? I do challenge that assessment because we had an instance described of these women in Wales who are making blouses paying themselves forty pounds a week for a
forty-five-hour week and in the hands of the middle man, for whom there seemed to be no escape, or at least, it seems as if they are going to have a hard job to escape. Now, in a situation like that, is that better than anything else; I question that.

Un-named speaker

That is why we have got to draw lessons from Mondragon. We have got to say what the material base is that can be replicated and what is unique about Mondragon and I think if you do get self-exploitation in cooperatives (we have had it in Britain throughout the Nineteenth Century and Twentieth Century) very few cooperatives have actually paid themselves the market rate, in printing or whatever.

I think what Eliot Stearn said is quite true. There is also a material base for the differences and the idea that one would like to all come together and have a common purpose setting up cooperatives, looking at cooperatives without all the contradictions that underlie people's perspectives is Utopian.

Un-named speaker

To put my idealog hat on for a moment: to me the reason that cooperatives are such an important area to work within and learn about is because if one looks at Britain and you talk to the worker in the street and you say to him "communism", he says "Siberia and salt mines, secret police knocks on the doors in the night" and all that Solzhenitsin talked about; and if you talk about socialism he thinks of nationalisation, massive bureaucracies enslaving him - his tax-payers' money going into support all these monolithic structures. Then he says "Listen, free enterprise seems to work, however badly, it is the only bloody thing that does". Then you get your marxists (I am one by the way, but not a dogmatic and vulgar Marxist) coming on and saying "That is false consciousness". It is not false consciousness at all, it is not false consciousness at all, it is absolutely true and what we have to do, it seems to me, is when we think about cooperatives, to understand that firstly they must be able to compete in the marketplace, because you cannot have socialist firms in capitalist states. You just cannot have these unique enterprises that are cut from the market, it is impossible. We must see them as being able to outcompete capital and I think they can; there is no reason why not. The Capital/labour relation is a conflictual one and labour never releases, either at the intellectual or the manual level, many of the creative sides of
the workers. For example, you can get situations where you get intellectual workers running guides and designing jobs for the other workers in I.C.I., very aware of their position and locked into it and unable to do anything about it.

What one has to provide is somewhere where workers, both intellectual and manual can look and say "Hey, that is different from free enterprise and it bloody well works". And I see no reason why it shouldn't work.

The characteristic of Mondragon to me that is absolutely fundamental to understand is the fact that it is based on Pragmatism. Although Father Arithmendi, without any doubt at all had a vision of a new society, he never at one moment, from the records I have read, imposed that on the workers. When they came across a contradiction (which was they didn’t have capital), he said "Have you thought about setting up a bank"; he never turned round and said "We need a bank". We have got to do this and if you read the records of the guy who now runs the bank and who was a founder-member and Chairman of Ulgor he says: Jesus Christ ten years ago we were ordinary people, just peasants, then we became engineers and then we became managers and now you want us to become bankers - what are you doing to us. But it flowed out of the objective need of those people.

The thing about the unions is that the unions, as we have discussed, were banned. The contradiction of the union and the role of the union is something that I think they are coming to terms with and I don't know what the outcome will be. It will be very interesting to follow that development. But without it, there is a great danger. There is a danger of what has happened in Russia. In Russia, both Lenin (whatever anybody says) and Stalin much more so, emphasised the development of the Soviet economy and the work organisation within it, the development of the forces of production and more or less said to Hell with the relations of production.

And what one has to have in understanding cooperatives in a social context is an emphasis, not only on the development of the productive forces, but on the relations of production because unless one can undermine the divisions of labour then one must inexorably go towards reproducing something that is not too unlike capitalism; it is absolutely essential to see that. Cooperatives for me are a prefigurative form for socialism. Rather than seeing socialism as achieved by the Winter Palace and it comes the day after, never has a revolution produced socialism, that is a fact; the emphasis has always been on centrism and not on democracy and pre-figurative forms allow workers through their life experience, to gain the
skills necessary to participate in a political process at the moment when it becomes essential they do so, rather than having the truth handed down from the top of a political party, as has always happened in every post-revolutionary society. That is the speech you said that we need to make.

Colin Benson

You can't look at Mondragon at any moment in time and say: "That is Mondragon". Mondragon has a complete, dynamic on-going growth and decay within its structure. We visited old coops that were long-established; we visited new coops that were very new. In a new coop, one in particular we visited which manufactured machine-tools, they had come over to the United Kingdom, they had head-hunted a chap called Bob Esson who was an engineer manufacturing machine-tools. They put him on a five-year contract and, because you have to be a Spanish national under Spanish law, to participate in the cooperative, he could not participate; he was purely the only hired employer. The odd thing about it was (odd to him) was that you had this incredible enthusiasm amongst the forty people who were involved, who had got a million pounds-worth of investment in that cooperative largely provided by the Caja Laboral. That enthusiasm now (because I have written to him), that enthusiasm is starting to die. The forty people have now become sixty-five, of the original forty, twenty of them say "Sod this, I want to go and fish", or, "I want to go and do something else", or, "Work is boring".

We are all highly motivated people here, but for the bloke on the shopfloor work is, in the main, pretty boring. A lot of people in Mondragon very rapidly become bored and they move away from this incredible identity of a cause; the idealogs have become very low-level participators.

Now when you look at Ulgor, which has been going since the year dot, there you have a large collection of people who really don't want to participate, all they want to do is to go and take their money at the end of the week and go and play football, or go out into the drinking clubs or dance, or whatever else they want to do and, I think that we do tend to lose sight of the change that goes on with the individual worker in a particular time period between the establishment of a new cooperative and, as that cooperative grows his interest dies, still leaving a central core.
Elliot Stern - Tavistock Institute

When you talked about boredom, I wonder if you are picking up an experience but perhaps using an inappropriate label because obviously a major motivation for those who want to set up cooperatives is the alienation process in conventional capitalist firms. Presumably if a cooperative is a genuine cooperative and there really are opportunities to exercise control over work-life, both economic and in the production sense, then presumably one transcends some of the alienation problems in that concrete experience in that work place. Then the issue must be raised for people: "Well O.K., I have transcended that, now what?" and the "now what?" may not be to carry on being over-identified with a work addiction. The outcome may be "Right, I would like to spend my life and my commitment and put my drive and my energies into other possible sources and resources". That is no criticism at all of the cooperative form, it is a simple recognition of individual attitudes; the future development of work in the West is likely to raise these questions again and again not only at the level of the individual but possibly also at the institutional level.

Rob Paton - CRU

Can I return to an issue that you first raised Elliot, which I was glad that you raised, about the function of a meeting like this, that involved academics and different sorts of practitioners and ideologs, and I share your concern to a degree, I suppose, about the possibility of undermining or under-cutting of each other in related but different ventures, but I wonder if that isn't over-rational actually. I sometimes think that it no longer matters what actually is going on in Mondragon - it has become a myth and the fact is that it is motivating people to go out and try something and that this is now what matters and people have a belief that some sort of new form of organisation is possible and that is essential. Beyond that, I see the function of a meeting like this to alert people to the multiple interpretations and possibilities that are about and the different emphases and opinions and the different factors that people stress, so that while I hope it doesn't undermine the energy and the enthusiasm and the inspiration that has been generated, it will sensitise people to more of the difficulties and the possibilities, so that when they go out and try and create their version of Mondragon in Wales, or Lambeth or wherever it is, it will be done with that much more openness and sensitivity to the various obstacles and that I think is what I have been hoping has been happening, but to what extent it has happened, I don't know.
Un-named speaker

Well all I would say is the one thing that comes through to me is Mondragon now is equivalent to Rochdale in the days of old as far as consumer coops are concerned. There were plenty of consumer coops before Rochdale, but all of a sudden it seemed to be a success and things become possible; it is like the four-minute mile, once the barrier is broken it is possible. Now I think that is the great plus, as far as where Mondragon stands now. As you say it is almost a myth but I think what we have to look at are alternative forms of organisation which do allow for this change to take place, because one of the problems of the early worker cooperatives in this country is they didn't build in the possibility that the organisation would change; they weren't taking account of some of the things which they ought to have learned from the earlier cooperatives' experience that you build your cooperative round a balance of some jam today, some jam tomorrow; you build it round a balance between self interest and the community interest or the interests of the group. All this has got to have the attention of the people who are at this sort of meeting, but the real opportunity now is that there is this consciousness, an awareness that it is possible and I feel that this is something that we can perhaps take away from this meeting.

Rob Paton - CRU

There have been phases, every fifty years regular as clockwork in British history of the last two hundred years when there has been an up-surge of activity in the area of cooperative production and those up-surges have been followed by declines, as regular as clockwork and the question then is: "When will the decline start", and to that extent I think it is important somehow to balance both the enthusiasm that comes out of the Mondragon story which has obviously been generated, without raising expectations and putting forward claims that would be hard to fulfil, to the extent that the early efforts by the Wales T.U.C., and the early efforts by local C.D.A.s have a high proportion of failures (and I know from my acquaintances with cooperative development over the last few years, there are lots of cases that I am glad have not been publicised — they would fit well in a book about failures). A lot is going to hinge, I think, on how things develop, especially in the next few years and somehow, there is a problem of balancing the expectation and the inspiration against what we can hope to achieve or what people in the real world can hope to achieve.
Elliot Stern

I want to take up the point about the tendency of things developing and then dying. That process which Rob Paton has correctly identified reflects a failure of institutionalisation — a failure to recognize things like the difference between what individuals might be motivated by and what larger institutions can handle and can carry forward. The three things I have learned today all surround that one issue of the relationship between the individual and the wider system of the cooperative, the issue of mobility and how one handles that; the issue of retirement and how one handles that, and the issue of people moving from one phase of their own lives to another phase where their own commitment to work might change as a result of movement through their own life-space. Now how those three things are handled as a way of translating individual aspirations, through to organisational wider system issues, may well determine whether or not you simply go down the same spiral or whether you take a new path.
References

1. Oakeshott, R. The case for workers Coops, 1978
   Routledge & Kegan Paul, London

2. Jay, P. St. George and Mondragon, London
   The Times, 7 April 1977

3. Ornelas, Carlos. Producer Coops and Schooling; the case of
   Mondragon, Spain, D. Phil Thesis, Stanford University, 1980

   Manchester University Press, U.K.

   Georgetown University, U.S.A.

6. Ularco, La Experiencia Cooperativa de Mondragon, 1975

7. Ballesteros, J. M. Riaza, Cooperatives de Produccion, 1968,
   Bilbao

8. Oakeshott op.cit.

9. Ornelas op.cit.

10. Nuestra Experiencia cooperative, 1979, CCP

11. Marie-Anne Saive, Mondragon - An Experiment with Co-operative
    Development in the industrial sector, 1980
    Annals of cooperative and public enterprise

12. CLP Annual Report, 1979

13. Ana Gutierrez Johnson and William Foyte Whyte, The
    The Mondragon System of Worker Production Co-operatives,
    Industrial and Labour Relations Review Vol. 31, No. 1

14. Ularco, Aspectos a considar en el Xlanta de Bergara, 1977
    Mondragon

15. Ornelas, op.cit.

17. M. A. Saire op.cit.

18. Spear, R. G. Towards a Political Economy of Coop Development
    Forthcoming 1981
References


12. Marie-Anne Saive, op. cit.


17. Trivelli, Pablo, Algunas Consideraciones economicas Sobre Las Cooperativas de Mondragon, in Revista Latinoamericano de Estudios Urbano Regionales EURE, pp. 97-126, Sept 1974


20. Ornelas, Carlos - Producer Coops and Schooling; the Case of Mondragon, Spain, D.Phil. Thesis, Stanford University, 1980.


The following publications are available from the Co-operatives Research Unit:

**Mondragon Co-operatives - Myth or Model, A CRU Publication, 1983 (132pp) Price £5.00**

This small book is a report of a conference on the relevance to the UK of the Mondragon experience in Basque, Spain - arguably the most successful co-operative movement in Europe. It presents contrasting views of these co-operatives by the main speakers (including Robert Oakeshott, Jack Eaton, Keith Bradley and Denis Gregory) and the audience discussants.

**Training Resources for Workers' Co-operatives, A CRU Publication, 1985 (36pp), Price £2.00**

This training resources catalogue contains a list and a brief review of materials available to potential and existing co-operatives and others involved in co-operatives. It includes books and pamphlets on setting up a workers' co-op; materials from local CDAs; training packs and course materials as well as videos, games and case studies.

**A Bibliography of Co-op publications, Price £3.00 ISBN 0 7492 7002 0.**

A substantial listing of books and published papers relevant to Worker Co-operatives. Particularly useful for researchers and students.

**A Directory of Co-ops in the UK, 1988, Price £25.00 (reduced price of £15.00 to those who submitted information). ISBN 0 7492 7003 9.**

A compilation of key information on co-ops in the UK.

**Some Techniques for Collective Working by John Martin 1989 Price £6.00 ISBN 0 7492 7004 7.**

A manual of techniques to facilitate the development of constructive group skills - includes techniques for better listening, giving feedback, negotiating, handling conflict and giving support. Suitable for trainees and development workers, but much of it could also be used by individuals and groups wanting to improve their own collective working practices.

**MONOGRAPHS**

**No. 1** 'Fakenham Enterprises Limited', by Martin Lockett, 1978 (129pp) Price £4.00

Describes the setting up and eventual collapse of a workers' co-operative arising out of a sit-in following the closure of a small shoe factory in Norfolk. Discusses the problems of setting up a co-operative in a redundancy situation and offers some recommendations for future similar situations.

**No.2** 'Fairblow Dynamics', by Rob Paton, 1979 (202pp) Price £5.00

Examines job satisfaction and peoples' attitudes in a medium sized manufacturing company that had recently been converted to common ownership.
No. 3  
'Some Problems of Co-operative Organisation', by Rob Paton, 1980 (80pp) Price £3.50

Discusses the common organisational problems that members of the Co-operatives Research Unit have encountered in co-operatives and offers some suggestions for how they may be overcome.

No. 6  
'KME - Working in a Large Co-operative', by Eirlys Tynan & Alan Thomas, 1984 (95pp) Price £3.50

Examines the perceptions of workers at KME. It highlights the clashes between 'old' and 'new' initiatives to work which the co-operative engendered, and suggest what can be learnt from this experience.

No. 7  
'The Role and Impact of Local Co-operative Support Organisations', by Chris Cornforth & Jenny Lewis, 1985 (71pp) Price £5.00

Presents the results of a survey of fifty-one local co-operative support organisations carried out in 1984. It describes their activities, examines their impact on creating new co-operatives and jobs, analyses the strengths and weaknesses of the local co-operative development support system and makes recommendations for future policy and practice.

No. 8  
Finance for Worker Co-ops by Chloe Munro 1989 Price £5.00

This is a good review of current practice and a clear analysis of pros and cons of different financial instruments. Based on her MBA thesis it is a major contribution to the current debate on finance in the cooperative movement.

OCCASIONAL PAPERS

No. 4  
'Co-operative Democratic Participation' by Prof. J. A. Banks & Rob Mears, 1984 (75pp) Price £3.00

This study examines the changing pattern of democratic participation in the co-operative wholesale and retail societies, particularly over the last 3-4 decades making a valuable contribution to our understanding of the difficult problems of democratic participation in these relatively large organisations.

Professor Banks is Emeritus Professor of Sociology at Leicester University. Rob Mears was Professor Banks' Research Associate at Leicester, and is now at Nene College, Northampton.

No. 5  
'Clothing Co-ops' by Alan Thomas, 1985 (22pp) Price £2.00

Examines the life-spans and economic performance of clothing co-operatives in the UK between 1975 - 1984.

CASE STUDIES

No. 1  
Unit 58, by Eirlys Tynan, 1980 (22pp) Price £1.50

A brief description of a printing firm which ran for a short while in Washington New Town. A lively discussion of some of the issues raised by the participants' responses to a brief social experiment.
No. 2 Little Women, by Eirlys Tynan, 1980 (46pp) Price £2.00

Describes the planning and setting up of a retail food shop by a group of married women in Sunderland. It describes the organisation which they evolved to cope with both running the shop and looking after their young children. It highlights their sense of achievement and the ingenuity which they developed to meet new situations.

No. 3 Sunderlandia, by Eirlys Tynan, 1980 (67pp) Price £3.00

Describes the history of a medium sized building firm in Sunderland. It focuses on the new methods of work and organisation attempted and the conflict generated in the struggle for power. Events are interpreted through the perceptions of the workforce.

No. 4 Milkwood Co-operative Ltd., by Rosemary Rhoades, 1980 (67pp) Price £3.00

Describes the brief history of a woodworking co-operative that was established under the Job Creation Programme of the Manpower Services Commission. The co-operative had the multiple objectives of relieving local unemployment through training young unemployed people, of creating a viable business, and establishing a co-operative mode of working. The author analyses the reasons for the co-operatives' failure to achieve these objectives and discusses the lessons for any future similar schemes.

No. 5 The Garment Co-operative: An Experiment in Industrial Democracy and Business Creation, by Chris Cornforth, 1981 (67pp) Price £3.00

Describes the history of a co-operative which manufactures women's garments. The co-operative was set up to create jobs after a factory closure using funds from the Manpower Services Commission's Job Creation Programme. The author analyses the experience as an experiment in industrial democracy and business creation. He attempts to identify the lessons that can be learnt for the theory and practice of worker co-operation.

No. 6 The Story of Neighbourhood Textiles, by Tony Emerson, 1983 (58pp) Price Part I £4.00 and Part II £6.00

This publication is in two parts; the first is a study of an unsuccessful attempt to promote 'from above' a small 'cut, make and trim' textile co-operative. The second part provides questions, exercises and discussion topics so that the case study can be used as a teaching exercise.


This study aims to stimulate a debate on the role of local co-operative development agencies (CDAs) in disadvantaged inner city areas. It presents a critical analysis of the early years of Brent CDA, by one of its original staff.


A readable provocative analysis of the well-known wholefood co-op. It examines how Suma has struggled to evolve as an organisation to cope with business expansion without compromising its social objectives.

This study examines how Recycles has performed as a business, a co-operative and as a place to work. It highlights a number of factors which have been important to the co-operatives’ successful development.


This study provides an in-depth analysis of the history and development of two contrasting wholefood co-operatives. It highlights the organisation problems they faced and analyses their causes.

No. 11  OAKLEAF: The Story of a Radical Bookshop by Ben Plumpton (Ms) May 1988 ISBN No. 0 7492 6024 6 Price £3.00

The story of how a community bookshop with a radical orientation struggled successfully for several years to provide a valued service despite market difficulties.

REPORTS


This report summarises the main conclusions and recommendations from a three year project which aimed to examine the factors and processes affecting the performance of worker co-operatives, and in particular to identify the problems and barriers to their development and how they might be overcome.