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Mondragon Cooperatives and the Utopian Legacy: Economic Democracy in Global Capitalism

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Abstract: Mondragon's worker-owned-and-governed cooperatives are rooted in the socialist utopian tradition of envisioning alternative economic organizations designed to promote worker well-being, workplace democracy, and community embeddedness. For many years, they have challenged capitalist logic and hierarchical power structures while remaining economically viable and democratically governed, countering the predictions of degeneration theories. However, recent transformation of Mondragon's largest industrial cooperatives into multinational coopitalist hybrids, maintaining a cooperative core of worker-members while operating capitalist subsidiaries with wage workers lacking membership rights, pose risks to their democratic structures. This paradox highlights the tension between economic survival in global capitalism and cooperative identity. By examining Mondragon's trajectory, the paper questions whether internationalization can coexist with economic democracy or whether global expansion inevitably compromises cooperative principles, forcing adaptation to market-driven imperatives. Understanding these tensions is crucial for the future of economic democracy and the development of sustainable alternative organizations.

Keywords: economic democracy; self-management; cooperatives; Mondragon; multinationals; utopia

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Non dago zure anaia? aditu zein behinola basamortuan
 olagizonen taldeak gainditu zuen gero dragoia
 eta, orain, kapitalaren erreinuan,
 garaia da,
 zeruertza marrazteko ordua...

‘Where is your brother?’ a voice once was heard in the desert,
 the team of blacksmiths then rallied to defeat the dragon
 and now, in the kingdom of capital,
 the time has come to shape new horizons...
Jon Sarasua (Mondragon 2018) ¹

Larrañaga, one of the five founders of the first cooperative in Mondragon (Ulgor), explains in the prologue of his book “Interioridades de una Utopia” (1998, 9) the utopian dimension of the Mondragon cooperatives: “...it may seem exaggerated for an ‘Experience’ that materializes in a specific historical moment, since the passage of time has blurred the scenario of a time in which a high utopian charge was needed to dream and idealize solidary human structures...”. Indeed, the Mondragon Cooperative Experience, hereafter referred to as Mondragon, represents an outstanding case study of utopian ideals translated into concrete economic and social practices, following its foundation in 1956 by Arizmendiarieta and his disciples (Cheney 1999; Whyte and Whyte 1991). It embodies a real utopia that “instead of indulging in utopian dreams [has] accommodated to practical realities” and “embraces this tension between dreams and practice” (Wright 2010, 4).

Mondragon is part of a tradition of attempts by groups of workers, starting at the time of the advent of the industrial revolution in Europe, to create alternative work communities (Azurmendi 1984; Vanek 1993). These historical associations of producers, sometimes inspired by social utopists, sought to control their working lives, establishing alternative socio-economic organizations and systems that would address the injustices and inequalities of capitalist organizations and societies. However, the sustainability and long-term success of such endeavors have been rare (Vanek 1993). The recurrence of long-term failures in utopian communities and self-managed worker organizations over the past two centuries can be attributed to a multitude of factors, including practical challenges, external pressures as analyzed by Marx (1864; cf. Jossa 2020) and internal dynamics as explored by Webb and Webb (1921). Marxist and socialist critiques of worker cooperatives as a means of transforming capitalist relations of production gave birth to ‘the degeneration thesis’, which suggests that cooperatives are compelled to adopt the

¹ *Humanity at Music* (Mondragon 2018) is an artistic initiative encompassing music, dance and literary creations collected in a book aimed at presenting an innovative approach to narrating the past, present and future of the Mondragon Cooperative Experience.

same organizational forms and priorities as capitalist firms if they are to survive (Cornforth 1995; Meister 1984).

The original vision established by Arizmendiarieta and the founders of Mondragon sought to create an alternative economic organization that would empower workers, promote community well-being, and challenge the dominant capitalist model (Azurmendi 1984). In line with Ormaetxea (1998, 2003), another founder of the experience, Arizmendiarieta's vision was rooted in concepts of solidarity, democratic participation, and equitable distribution of wealth within the cooperative community. Mondragon's cooperative production represented a system under which the ultimate control and ownership of an enterprise rested not with outsiders – whether private capitalists or state bureaucrats – but with all those working within it. Over many decades, Mondragon has consistently demonstrated an impressive ability to achieve economic growth and ensure long-term survival, while maintaining its democratic character and steadfast social commitment (Imaz, Freundlich, and Kanpandegi 2023; Whyte and Whyte 1991), thereby challenging some of the fundamental principles of the capitalist system, such as shareholder ownership and exclusive decision-making.

However, the Basque cooperatives have evolved over time and have expanded domestically and internationally and have had to face new complexities and dynamics in a changing world characterized by global capitalism (Bretos, Errasti, and Marcuello 2019). Reproducing and maintaining core alternative values in alternative organizations has always been difficult “in the light of the embeddedness in and dependency on a contested system” (Schiller-Merkens 2022, 12), and these difficulties have been further exacerbated under global market conditions. Indeed, after many years of international expansionist strategy, the main nucleus of Mondragon is nowadays made up of manufacturing cooperatives that have been converted into multinational companies operating in several countries (Clamp 2000; Errasti, Bretos, and Nuñez 2017). By 2023, the core of the industrial division consisted of cooperative multinationals managing more than 100 joint-stock foreign subsidiaries employing wage workers across multiple countries, primarily in developing nations and transitional economies (Mondragon 2024). Other prominent European worker-owned-and-managed cooperatives, such as Up Group and Acome in France, as well as Sacmi and Cefla in Italy, among others, have also implemented comparable multinational capitalist strategies (Bretos, Errasti, and Marcuello 2024; Errasti, Bretos, and Marcuello 2023).

This paper explores the interplay between Mondragon's historical and contemporary utopias, examining how its cooperatives navigate the tensions between their foundational principles and the demands of the global economy. It investigates Mondragon cooperatives' responses to the dual challenge of ensuring business survival in the rapidly evolving digital and green global economy while striving

to maintain democratic and cooperative governance. In this context, we analyze how Mondragon confronts the structural constraints of global capitalism, where international expansion has become a strategic necessity for the survival of many cooperatives. However, this expansion also raises questions about the resilience of its cooperative identity, as it increasingly operates within economic frameworks that may pressure cooperatives to adapt in ways that diverge from their original principles – a concern long debated by critical cooperative scholars, particularly in degeneration theories. Our study draws on a comprehensive literature review of existing research on Mondragon, supplemented by recent investigations conducted primarily by the authors, with a particular focus on its internationalization strategy and its implications for the cooperative model.

To this end, the paper is organized as follows. After this introduction, we briefly review the utopian tradition of workers' cooperatives and their critics. Section 2 examines the construction of Mondragon's mythical status. Section 3 analyzes the current organizational structure following the globalization process. Section 4 explores Mondragon's international expansion and the possibilities of democratizing multinational cooperatives. Finally, Section 5, the concluding section, brings the argument to a close, emphasizing the challenges Mondragon faces in maintaining its identity as an alternative multinational democratic organization.

1 The Utopian Tradition of Worker Cooperatives and their Critics

The rise of worker self-managed firms and cooperatives was initially motivated by a critical response to the impact of industrial capitalism and the negative consequences of the industrial revolution. Industrial workers attempted to manage and control their working lives, as well as to “cope with the evils of unbridled capitalism and the insecurities of wage labor” (Adams and Hansen 1993, 12). The cooperative movement drew inspiration from socialist ideas propagated by influential thinkers such as Charles Fourier, Robert Owen, Phillipe Bouchez and Henri de Saint-Simon, later called utopian socialists by Marx and Engels. These ideas, especially those promoted by Owen, represented important contributions to the theory and practice of social transformation “pre-empting in many respects key features of contemporary theories of transformation” (Rogers 2018, 256). During the 19th century, utopian communities emerged based on visionary ideals that aimed to create self-contained communities where members would collectively own and manage their lives and businesses, with equal distribution of wealth and resources among their members. Although most utopian communities faced challenges and ultimately disbanded,

they nevertheless played a significant role in shaping the cooperative movement and inspiring subsequent cooperative endeavors (Vanek 1993).

John Stuart Mill who, despite being a liberal, “had more than a little of the utopian in him” (Cummings 1989, 136), articulated in his *Principles of Political Economy* the belief that the democratic organization, based on employee ownership and collective decision-making, should be the alternative to the autocratic capitalist company:

The form of association, however, which if mankind continues to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and work-people without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves. (Mill [1852] 1987, 772)

Various historical examples emerge as remarkable instances of attempts at collective ownership and workers’ self-management in Western countries: The Phalanx inspired by Fourier, Owen’s New Harmony in the USA, Bouchez’s worker associations in Paris, the equitable pioneers of Rochdale in the UK (who eventually established a production mill), Catalonia’s worker-controlled organizations during the Spanish Civil War, Yugoslavia’s workers’ self-managed firms, plywood cooperatives in the USA, kibbutz communities in Israel, and the Emilia-Romagna cooperatives in Italy. There have been many other experiences promoted by workers all over the world – in countries such as South Korea, Argentina, Brazil, and India, with high concentrations of cooperatives, including worker cooperatives (Cheney et al. 2023; Zabala-Flórez et al. 2024), foreshadowing a future with a more advanced human society such as that expressed by Mill. However, particularly since the latter half of the 20th century, it is perhaps Mondragon that stands out most prominently among these efforts due to its extensive reach, vitality, and longevity.

Many of these self-managed attempts, characterized by employee ownership and collective decision-making, often encountered difficulties that hindered their long-term sustainability. Indeed, the critique of worker cooperatives and worker-managed production has a long tradition too and this has not only come from the defenders of capitalism, but also from within the Marxist and socialist movement (Vanek 1993). Marx’s vision of cooperatives was ambivalent (cf. Jossa 2005; Ji 2020). On one hand, he explicitly sustained that cooperatives

... (b)y deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolized as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and

inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart. (Marx 1864, 11)

But on the other hand, Marx underlined the limits of the cooperative model, both in working differently from capitalist enterprises and in changing society as a whole:

The cooperative factories run by workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished there, even if at first only in the form that the workers in association become their own capitalists, i.e., they use the means of production to valorise their labour. (Marx [1894] 1981, 571).

On the socialist side, Sidney and Beatrice Potter Webb expounded their critique to worker cooperatives in their well-known ‘degeneration thesis’. In their extensive studies of the British cooperative movement, they analyzed why there was such a small number of worker cooperatives in capitalist economies. They reached the conclusion that:

In the relatively few cases in which such enterprises have not eventually succumbed as business concerns, they have ceased to be democracies of producers themselves managing their own work; and have become, in effect, associations of capitalists on a small scale. (Webb and Webb 1921, 463)

For these authors, although consumer cooperatives were sound, producer cooperation was not feasible: the self-governing workshop produced only small masters, a new class of petite capitalists seeking to maximize their own profit by limiting the number of members in the cooperative. Moreover, the authors questioned the applicability of self-governing production to large-scale or heavy industries (Vanek 1993).

The modern formulation of the degeneration thesis suggests that worker cooperatives fail in the long run as democratic organizations because “they will have to adopt the same organizational forms and priorities as capitalist business in order to survive” (Cornforth 1995, 488). In line with Cornforth, the different strands of degeneration can be categorized into three types. First, formal or constitutional degeneration occurs when cooperatives revert to a capitalist form or when a portion of the workers lose some of the democratic rights which originally applied to all of them. Second, goal degeneration occurs where cooperative goals are replaced by capitalist goals of profit seeking. Third, organizational degeneration occurs, as argued by Meister (1984), as a consequence of the life cycle of democratic associations, which eventually become dominated by ruling elites, as expounded in Michels’ ([1915] 2001) ‘iron law of oligarchy’.

From the second half of the 20th century, several authors have questioned the deterministic perspective of cooperatives failing or gradually losing their unique participatory and democratic nature over time. These challenges have emerged through theoretical critiques (Cornforth 1995; Storey, Basterretxea, and Salaman 2014) as well as empirical investigations (Batstone 1983; Bretos, Errasti, and Marcuello 2018, 2019, 2020, 2024; Serrano et al. 2024; Siedlok et al. 2023). Certainly, cooperatives can endure and regenerate, in democratic terms, by embracing innovative organizational structures and practices that reinforce collective ownership and decision-making, as Mondragon has done several times.

2 The Construction of the Mondragon Myth: Arizmendiarieta and his Disciples' Utopia in the Dragon's Mountain

The name of the Basque town Mondragon, where the cooperative movement was founded, originates etymologically from 'dragon's mountain,' based on a legend about a dragon said to have lived in the nearby mountain. All over the world, many tales about dragons feature a hero working alone or a 'Saint George' who kills the dragon, but in the case of Mondragon the united efforts of the foundry workers of the village vanquished the dragon, as is reflected in the fragment of the song cited at the start of this paper. Azkarraga maintains (2017, 225) "that the singularity of the myth underlines a communitarian sense and strategy for achieving well-being, a sense and strategy that, in fact, form the basis of the Mondragon's modern cooperative experience". Based on this interpretation, the myth could be reinterpreted as the worker-members of the Mondragon cooperatives being the slayers of the capitalist model, at least in the valley.

Indeed, in their struggle against the inequalities and privileges inherent in the capitalist system, the Basque factory workers were guided by a young Catholic priest, Father José María Arizmendiarieta.² After the Spanish Civil War in 1939, under Franco's dictatorship, Arizmendiarieta was assigned to Mondragon with the mission of Christianizing and pacifying the industrial town known for its strong workers' movement. In 1946, Arizmendiarieta established a new technical school in response to the refusal of Unión Cerrajera – a capitalist company that controlled both the economy and politics of Mondragon – to allow students

² The title of 'venerable' has already been bestowed on Arizmendiarieta as a step towards elevating him to sainthood in the Catholic religion, with the next steps being beatification and ultimately canonization.

unrelated to the company to enroll in its existing technical school (Ormaetxea 1998). A decade later, building on this foundation of education, some Arizmendiarieta's followers left Unión Cerrajera and established the first industrial cooperative, Ulgor (later renamed Fagor Electrodomésticos). This decision was also driven by Unión Cerrajera's refusal to grant workers the opportunity to participate in the company's ownership (Ormaetxea 1998). Ulgor, dedicated to the fabrication of heaters and gas stoves, was the first small production cooperative in Mondragon, but soon the movement spread to become a vast network of over 100 cooperatives (industrial, consumer, financial, educational, etc.) throughout the Basque Country.

Arizmendiarieta's vision of cooperativism transcended mere ideology: more than "a thought, a philosophy, a spirit, it is a transformative project" (Azurmendi 1984, 815), or a prefigurative project, as described in contemporary terms (Schiller-Merkens 2022). In 1959, Arizmendiarieta wrote the first draft of the by-laws for the first cooperative, which has defined the structure and governance for every cooperative of the network founded since then (Ormaetxea 2003). This framework included the General Assembly, with the one member-one vote formula for major decision-making, as well as election of the Governing Council, which would then select the general manager. Arizmendiarieta, along with the other founders, also established fundamental organizational and financial practices within Mondragon. The 'open door' policy ensured that all workers had the right to become members, fostering inclusivity. They implemented strict limitations on wage and salary differentials (ranging from one to three), which some considered to be 'more communist than communism itself'. Furthermore, they advocated for the absence of shareholders, both internal and external, and emphasized the distribution of profits among its members, as well as into reserve funds and investment in educational and community initiatives. Later, the two practices of pooling a portion of profits among cooperatives for redistribution and facilitating worker transfers between cooperatives were also established. Arizmendiarieta played a pivotal role in the founding of support organizations such as the cooperative bank Caja Laboral in 1959, which allowed cooperative members to accumulate funds for new investments and, later, the Ularco regional group in 1964. Along with education, these pillars formed the foundation of Mondragon, the set of ideas and principles that created and held together the cooperatives. This achievement was made possible through the combination of Arizmendiarieta's visionary leadership and the collective efforts of all involved (Whyte and Whyte 1991). For many years, the Mondragon model stood as a practical refutation of Sidney and Beatrice Webb's theory of cooperative degeneration, demonstrating that worker-owned enterprises could expand, innovate, and maintain their core principles over time.

Joxe Azurmendi, Basque philosopher and Mondragon's official compiler and interpreter of Arizmendiarieta's writings (1984, 23), acknowledging the intricacy

of his ideas, points out four doctrinal sources of his thought: (1) Cristian social doctrine, (2) the personalist philosophers, (3) the Basque social tradition, and (4) the cooperative thinkers. For Azurmendi (2000, 17), Arizmendiarieta “is for example, to say it clear, a radical anti-capitalist. Is a radical socialist” (in fact, Owen is credited to be the first person using the term socialism). Arizmendiarieta harbors suspicion towards the state while criticizing liberalism. However, rather than seeking the destruction of capitalism, his focus lies in effectively surpassing it. Arizmendiarieta “places trust and faith in the power of community” Azurmendi (2000, 23). The cooperative model he proposes extends beyond a mere democratic and fraternal concept of a company; it embodies a revolutionary and comprehensive vision for contemporary society and its historical progression. Azurmendi also emphasizes the strong connection between Arizmendiarieta’s ideas and the communal traditions of the Basque country. Following Azurmendi (2000, 18) “At times, Arizmendiarieta has expressed himself in the sense that Mondragon’s cooperativism is nothing more than Basque socialism: socialism appropriate to the qualities and characteristics of the Basque people. It is an embodiment of the ancient Basque democracy of villages, tailored to suit the demands of the present era.”

Following the early decades of its journey, Mondragon quickly gained a ‘mythical status’ as a working model of an alternative to the organization of enterprises (Azkarraga, Cheney, and Udaondo 2012, 76). The construction of the myth at an international level, based on the cooperative economic success, started in 1973 when Robert Oakeshott, an English journalist, economist and social reformer, published in the British journal *The Observer* an article describing Mondragon as an ‘oasis of democracy’ within the dictatorship of Franco, the result of a singular ‘alliance between the Catholic church and technology’ (Oakeshott 1975). It was reproduced by the Cornell professor Jaroslav Vanek in his book *Self-management: Economic Liberation of Man* (1975). This was followed by increasing academic interest over subsequent decades. Indeed, over recent decades, there has been a profusion of books, theses, academic journal articles, documentaries, films, TV programs and so on about Mondragon. Certainly, for numerous individuals Mondragon symbolizes the embodiment of the ‘third way,’ a practical middle way between private capitalist and state-owned business. The cooperative production model in Mondragon has been regarded, and still is, as a glimpse into the future, presenting the notion that an alternative exists. For many proponents of cooperatives, it presents a captivating vision of a more equitable and democratic economic system, and it even plants the seeds of socialism within a capitalist society (Wolf 2012; Wright 2010).

Most of the academic and media discourse regarding Mondragon has predominantly been filled with praise, to the point that in some cases the discourse that ubiquitously surrounds it has been “excessively flattering and self-indulgent”

(Heras-Saizarbitoria 2014, 647). However, maybe in response to the romanticized perspective that overlooks the tensions and paradoxical practices within Mondragon cooperatives, the critical discourse has also been steadily increasing. Kasmir, for example, deconstructs the myth of Mondragon, considering that Mondragon's organizational development for competitive survival does not diverge in essence from that of other capitalist firms where corporate profitability is their *raison d'être* (Kasmir 1996). Mondragon's extraordinary achievements are the result of the adaptation of Mondragon to the "inescapable limits" imposed by capitalism (e.g. Kasmir 2016, 56). For instance, the concentration of power in the hands of Mondragon managers on the basis of authority and efficiency has brought little worker participation, as they often seem to be inactive and uninterested in decision-making procedures (Azkarraga, Cheney, and Udaondo 2012; Cheney 1999). To remain competitive, historically Mondragon has adopted corporate-style HR practices, such as performance-based evaluations and increased workloads, and work organization based on Fordist system-based assembly lines, lean manufacturing and later models based on TQM (Las Heras et al. 2024). While these models enhance efficiency, they can undermine the cooperative's commitment to worker well-being and solidarity, creating a tension between market-driven policies and cooperative values. Furthermore, the existing differential in wages has been expanded a number of times, mainly due to the problem of attracting and finding highly skilled executives and workers. It was initially expanded to 4.5:1 and then to 6:1 and wider (however, it is still substantially lower than the differential in traditional capitalist firms). Since the early 1980s, the number of wage workers with no ownership and no voting rights has greatly increased, both in relative and in absolute terms (Bakaikoa, Errasti, and Begiristain 2004). Heras-Saizarbitoria (2014, 661) states that Mondragon's basic cooperative values such as democratic organization, participatory management and education have become decoupled from the workers' daily activity, and that the principle of secure membership and employment is the only one that encourages "most workers to remain quiet and compliant in a system that gives them limited ways to participate". Furthermore, the tensions and paradoxes within Mondragon have significantly increased due to the necessity of adapting to the process of global market conditions in the 1990s, as is discussed in the next section.

3 Mondragon in the Era of Globalization: The Mondragon Multinationals

Since its initial period of expansion within Spain's autarchic economy – from the 1960s to the 1980s – a phase characterized by the establishment of over one

hundred cooperatives and the creation of regional groups (as detailed in the previous section), Mondragon has undergone various stages of development. The second period, beginning in the 1980s, marked a phase of adaptation and reconversion during which Mondragon cooperatives adjusted to the European Union's regulatory framework while also responding to the economic recessions of the time (Ormaetxea 1993; Whyte and Whyte 1991). Their ability to successfully navigate these challenges demonstrated not only their resilience but also the viability of self-management in large-scale industrial enterprises, reinforcing the cooperative model's relevance in competitive economic environments.

Subsequently, during the third period, beginning in the early 1990s, the group underwent a major restructuring, resulting in the formation of the Mondragon Cooperative Corporation. This phase coincided with the globalization of the world economy and was marked by substantial growth and international expansion as Mondragon extended its presence across multiple countries. However, this period also brought significant internal challenges, including the departure of several cooperatives from the group and, most notably, the collapse of Fagor Electrodomésticos, its largest cooperative. These developments raise fundamental questions about Mondragon's evolution, which are addressed in the following paragraphs.

Intercooperation, or the collaboration between individual cooperatives, has been both a cornerstone of the group's success and an ongoing challenge in adapting to changing economic and social contexts. First, it was through Caja Laboral and the regional groups that Mondragon cooperatives pooled resources, shared risks, relocated worker-members to support struggling cooperatives, facilitated strategic joint investments, and fostered innovation, providing a strong foundation for collective resilience. With the creation of the Mondragon Cooperative Corporation (MCC) in 1991, the Caja Laboral lost its central role in the cooperative network and regional groups were replaced by sectoral divisions (Bakaikoa, Errasti, and Begiristain 2004; Whyte and Whyte 1991). This 'network governance' in action (Turnbull 2002) established two main governance bodies elected by cooperative members to strengthen inter-cooperative democratic and strategic networks and encompass globalization trends: the Cooperative Congress and the General Council, the former one being in charge of controlling the strategy and inter-cooperative financial resources pooled by the individual cooperatives (Bakaikoa, Errasti, and Begiristain 2004, 82).

However, as the network and the cooperatives have grown and diversified, the task of aligning the interests of cooperatives operating in different sectors has become increasingly complex. Indeed, tensions have arisen between the more profitable cooperatives and those that are less profitable. This dynamic became particularly evident when in the last decades three of Mondragon's leading multinational

cooperatives made the decision to separate from the group and forge their own individual trajectories, breaking the principle of intercooperation.

The first to leave, in 2008, was Irizar, a manufacturer of luxury buses and coaches, employing around 3,400 workers (around 30 % working members) in its 13 production plants in Spain, Morocco, Brazil, Mexico and South Africa. In 2022, it was the turn of two other giants of the group: Orona, an elevator manufacturing and maintenance company with presence in over ten countries and 5,500 workers, of which 1,700 are cooperative members (31 %); and Ulma, which encompassed nine cooperatives dedicated to industries as diverse as construction, the supply of forged pipefittings, the sale of forklifts, packaging and the construction of greenhouses, with subsidiaries in 4 countries and 5,200 workers (2,800 of which were cooperative members, 54 % of the total workers). Ostensibly, the cooperatives that broke away shared several common characteristics: they were large, rapidly expanding, and financially successful multinational enterprises (complex strategic groups by themselves); they were led by influential and charismatic leaders; and they were situated outside the Mondragon valley. The departure of these cooperatives highlights both the autonomy of cooperatives to choose their group affiliation and the fragility of solidarity within the group, where the pursuit of international growth and profitability can emerge as predominant strategies for survival in a competitive market. Indeed, the sustainability of individual cooperatives can put pressure on intercooperation mechanisms, as not all cooperatives are equally willing to share resources indefinitely, fearing potential risks to their own financial stability. As a result, striking a balance between these diverse needs while maintaining mutual support requires adapted governance structures and a collective commitment to the core principles of solidarity and mutual aid.

The latest period also witnessed the collapse of Fagor Electrodomésticos, Mondragon's first and largest cooperative, in 2013. At the height of the Spanish property bubble in 2006, the company employed over 11,000 workers across 18 production plants in six countries, with cooperative members constituting around 30 % of its workforce (Errasti, Bretos, and Nuñez 2017). However, the financial crisis of 2008 triggered a sharp decline in sales and exacerbated the heavy debt burden accumulated through its ambitious global expansion. Despite Mondragon Corporation's extensive efforts to rescue Fagor – ranging from direct financial aid to solidarity-driven wage reductions among cooperative members – the cooperative ultimately declared bankruptcy in 2013. This collapse ignited tensions between cooperative members, non-member employees, and Mondragon Corporation itself, as the group opted not to extend further support (Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019; Kasmir 2016). While many of Fagor's cooperative members were re-assigned to other Mondragon cooperatives through an extensive relocation effort, a substantial number of non-member employees lost their jobs (Errasti, Bretos, and

Núñez 2017). The downfall of Fagor illustrates how financial instability within a single cooperative can reverberate throughout the whole network, underscoring the fragility of intercooperation mechanisms in times of crisis. In response, Mondragon has restructured its governance and strategic planning to reinforce intercooperation and foster a stronger culture of collective responsibility, aiming to prevent similar disruptions in the future.

As of 2024, the Mondragon Cooperative Corporation, which was renamed in 2008 *Mondragon, Humanity at Work*, is a democratic federation of 90 cooperatives with 68,743 workers divided into four distinct groups (Mondragon 2024): finance, distribution, knowledge and manufacturing.

The finance group, with 2,200 workers, is made up of the Caja Laboral banking business (around 85 % worker-members), the largest cooperative credit institution in Spain, and the activity related to Lagun-Aro, the social security system of the cooperatives.

The distribution group, with 37,808 workers, is dominated by the Eroski Consumer Cooperative, focused in the Basque and Spanish market with a wide network of retail outlets, cash-and-carry establishments, hypermarkets and specialized shops. Eroski has 28,200 workers and only 9,500 are working members (34 %). In 2006, the governing body of the cooperative proposed integrating wage workers from its Spanish subsidiaries as cooperative members, granting them rights nearly equal to those of Basque members. This initiative sparked intense debate within the Mondragon community, with concerns that such a move could dilute its Basque identity and weaken the proximity needed for effective democratic governance. Ultimately, the proposal was abandoned during the 2008 financial crisis, as Eroski faced severe challenges, including plummeting sales and mounting debt from recent business acquisitions, pushing it to the brink of collapse.

The Knowledge Division, comprising 2,000 workers, the majority of whom are worker-members, operates a network of technological and educational institutions, including Mondragon Unibertsitatea. The University of Garaia, through its three faculties – Engineering, Business, and Humanities – educates approximately 10,000 students. Additionally, the division includes the Garaia Technology Park, a public-private initiative driven by Mondragon, supported by the scientific expertise of Mondragon Unibertsitatea, six technology centers, and backed by leading public institutions.

The manufacturing group comprises around 60 manufacturing cooperatives, organized into 9 divisions: Automotive CHP, Automotive CM, household appliance components, construction, industrial automation, household goods, engineering and services, machine tools and systems. In 2022, the total sales of the manufacturing group amounted to 5,036 million euros. Of this total, international sales accounted for 75 %, as compared, for example, to 39 % in 1995, figures which clearly

show a process of growing internationalization. The industrial group employs a workforce of 27,487 (Mondragon 2024).

Since 1989, Mondragon's industrial cooperatives have actively pursued international expansion, aiming to strengthen their competitiveness and protect jobs for cooperative members in the Basque Country. This strategy has transformed Mondragon into a network of multinational cooperative holdings, where international operations play a crucial role in sustaining the group's economic viability. Nowadays, a significant portion of Mondragon's foreign investment is concentrated in emerging markets, with subsidiaries established in China (22), Mexico (10), Brazil (7), Poland (6), and the Czech Republic (9). As a result of this internationalization, Mondragon now employs over 10,000 foreign workers, who account for approximately 37 % of the total industrial workforce (Mondragon 2024), highlighting the increasing global integration of the cooperative group.

4 The Challenge of the Democratic Multinational Company

The growth model adopted by Mondragon industrial cooperatives in response to global market expansion has involved the creation and acquisition of capitalist subsidiaries, both domestically and, more significantly, internationally. In most cases, these subsidiaries produce identical or similar products to those manufactured in the Basque Country, leveraging Mondragon's technology and work organization methods to serve global manufacturers. The establishment of foreign subsidiaries is not a delocalization strategy aimed at shifting production away from the Basque Country but rather a multilocation approach. The primary goal of this foreign direct investment has been to secure access to international markets while protecting – and even expanding – employment opportunities in the Basque Country (Errasti et al. 2003; Luzarraga and Irizar 2012; MacLeod 2006).

The foreign workforce consists entirely of contract-based, non-member employees, except in the larger subsidiaries, where two or three Basque expatriates typically oversee management. Today, Mondragon industrial cooperatives own a total of 104 subsidiaries worldwide, with more than 10,000 foreign employees in 37 countries (i.e., approximately 40 % of the Mondragon group's industrial workforce is employed in production facilities abroad). As Mondragon multinationals compete with multinational corporations in cost-sensitive industries, pressure to reduce labor and production costs also conflicts with its commitment to fair wages and equitable working conditions.

These worker cooperative multinationals operate under a dual model, often described as coopitalist hybrids (Errasti 2015), consisting of a cooperative core

domestically and capitalist subsidiaries employing wage labor abroad. Consequently, in many Mondragon multinational cooperatives, non-members now outnumber cooperative members, highlighting a fundamental shift in the composition of the workforce. This structure represents a modern iteration of the long-standing challenge of cooperative degeneration, where membership becomes increasingly exclusive, gradually transforming members into a privileged minority of small capitalists (Webb and Webb 1921).

Due to concerns among Mondragon's members about the significant contradiction between its cooperative principles and international expansion strategy, the Mondragon Congress – the group's sovereign governing body – adopted resolutions in 2003 and 2020 aimed at addressing this issue. The 2003 statement was particularly ambitious, explicitly declaring the goal “to drive the creation of formulas that allow for the participation in ownership, management, and profits by employed workers who pursue their activities in the non-cooperative companies” (Mondragon 2003). In response, several Mondragon cooperatives incorporated the expansion of the cooperative model to their capitalist subsidiaries as a key objective in their strategic plans. By contrast, the 2020 statement was more ambiguous, scaling back the initial ambition. Instead of reaffirming a commitment to worker ownership and participation, it simply stated the aim “to manage subsidiaries and affiliated enterprises in the most cooperative way possible, continuously developing and improving the extension of cooperative values from the parent companies” (Mondragon 2020).

While Mondragon cooperatives have been notably successful in converting private national subsidiaries into cooperatives, their efforts to extend cooperative principles to overseas subsidiaries have been far less effective. A key example of successful local subsidiaries and workers cooperativization is found in the automotive components manufacturer Ederlan, one of the leading Mondragon firms in this area. Ederlan has experimented with various models to convert local private subsidiaries into cooperatives. For instance, in 2008, its Navarrese subsidiary, Fagor Ederlan Tafalla, which employed nearly 900 workers at the time, was transformed into a ‘hybrid cooperative’ – a structure where the capitalist subsidiary was partially owned by its workers, yet with the majority of capital and voting rights still controlled by the parent company (Bretos and Errasti 2017). This hybrid model eventually transitioned into a fully independent cooperative in 2023, demonstrating that a joint-stock firm with a strong trade union culture could be gradually converted into a cooperative through education and participatory governance.

However, when it comes to extending cooperative principles to foreign subsidiaries, efforts have been notably limited. A few minor cases exist, but these remain largely anecdotal, rather than significant steps toward international cooperativization. One such case also involved Ederlan, which conducted a feasibility

study on cooperativizing its Brazilian subsidiary, but the initiative was quickly abandoned and never implemented (Mondadore 2013). Another case involves a small number of Mondragon multinational cooperatives incorporating local managers from foreign subsidiaries as cooperative members. However, rather than signaling a broader commitment to international cooperativization, this move appears to be a strategic decision to secure the loyalty of key local managers to headquarters. This selective approach, which effectively divides the workforce within foreign subsidiaries, further illustrates the complexities and contradictions Mondragon faces in balancing cooperative principles with its global expansion strategies.

Instead, Mondragon has focused on collaborative human resource practices in its subsidiaries, introducing employee involvement initiatives, small profit-sharing schemes linked to performance objectives, information-sharing mechanisms, and extended training programs (Flecha and Pun 2014; Luzarraga and Irizar 2012) – practices commonly associated with cooperative firms (Storey, Basterretxea, and Salaman 2014). Yet a study comparing eleven Mondragon subsidiaries in the Kunshan Industrial Park, near Shanghai, China, with conventional multinational enterprises in the same area found no significant differences in key labor conditions, such as wages, working hours, overtime, training opportunities and collective bargaining (Errasti 2015). Other studies have corroborated this finding, showing that core cooperative practices – such as worker ownership, membership, significant profit-sharing, and active participation in management, which define Mondragon's distinct model in the Basque Country – have not been transferred to its foreign subsidiaries, neither in China nor across all international operations, as they have largely adopted the standard labor practices of conventional multinational corporations in each country (Bretos, Errasti, and Marcuello 2019; Errasti, Bretos, and Etxezarreta 2016). Notably, cooperative education, a key pillar of Mondragon's model, has been entirely absent in its subsidiaries, further reinforcing the idea that Mondragon has no intention of advancing the transfer of its original cooperative principles in its international expansion.

It is noteworthy that Mondragon has successfully transferred its production model across different countries, enabling subsidiaries to manufacture the same products using similar processes and technical know-how. By deploying a small number of expatriates and implementing the same technology and work organization methods as in its Basque factories, Mondragon has achieved comparable productivity and quality standards, positioning its subsidiaries as global suppliers to major multinational corporations. However, this transfer has been purely industrial and technical, as the core cooperative model – centered on worker ownership, democratic governance, and profit-sharing – has not accompanied this international growth. This absence of cooperative expansion suggests that Mondragon's international strategy has prioritized market competitiveness and

operational efficiency over the extension of cooperative principles beyond its home region.

Mondragon's current inability to extend its cooperative model of worker ownership and democratic work organization to its own subsidiaries also stands in sharp contrast to the numerous cooperative initiatives inspired by the Mondragon experience that have emerged worldwide. These initiatives have been successfully established in diverse communities across the USA, Canada, Germany, the Republic of Korea, and the UK (for a review, see Clamp and Peck 2023). In a similar vein, it is paradoxical that Mundukide, an NGO linked to the Mondragon group, focuses on sharing resources and Mondragon cooperative expertise and know-how to support local communities in the Global South in becoming independent and self-sufficient (Mundukide 2024). Within the Mondragon group itself, notable collaborations with international organizations aim to promote and internationalize the cooperative model. For instance, the Mondragon cooperatives LKS Next and Alecop spearheaded a project in Colombia, funded by the European Union, to train ex-combatants in the cooperative model as a means of achieving their socioeconomic reintegration (Ascoop 2019). Prior to this, in 2009, United Steelworkers (USW) and Mondragon signed an agreement to promote union co-ops: firms that combine democratic worker ownership and union membership in the USA (USW 2009).

Mondragon has successfully exported its production model within its subsidiaries and has also inspired and promoted the cooperative model in other foreign organizations. However, implementing international production under a cooperative model in its own subsidiaries has so far proven unfeasible for Mondragon firms. According to Mondragon managers and some researchers, the cross-national transfer of cooperative practices has been hindered by institutional factors, such as differences in legislation, labor regulations, and cultural norms between the home and host countries, mainly the lack of cooperative culture of foreign workers (Flecha and Pun 2014; Luzarraga and Irizar 2012). Other studies suggest that internal organizational dynamics at Mondragon's headquarters, including particularistic strategies and power relations among cooperative members, have also impeded this transfer (Bretos, Errasti, and Marcuello 2019, 2020) – the very nature of multinational corporations, which rely on centralized control over subsidiaries (Errasti 2015). Additionally, Mondragon's deep-rooted connection to its local community and culture (Azurmendi 2000) – a key factor in its success, fostering worker solidarity and a strong cooperative ethos – may also limit the feasibility of cooperativizing foreign subsidiaries. Moreover, the difficulty of building international worker solidarity remains, for now – and not only for Mondragon – an unrealized utopia. One fundamental reason lies in the differing ways capitalism and cooperation shape individuals and organizations. Global capitalism does not need

to actively mold people to fit its system; it operates on the assumption that self-interest and competition naturally emerge in market-driven societies. In contrast, international cooperation and solidarity require an intentional and sustained effort to cultivate a cooperative mindset, develop a strong community of cooperators, and then establish collaboration among geographically dispersed cooperative communities. This process demands continuous education, institutional support, and a cultural transformation, making large-scale replication particularly challenging.

5 Conclusions

The utopian legacy in which Mondragon is embedded remains relevant in analyzing the challenges that alternative work organizations face as they navigate the external pressures of global capitalist markets while striving to uphold their long-held principles of workplace democracy. The cooperativist movement drew from the ideals and practices of 19th-century utopian socialism, whose proponents envisioned democratic, worker-controlled enterprises as viable alternatives to capitalism (McNally 1993; Rogers 2018). Yet Marx and Engels, along with the Webbs, criticized these utopian visions for failing to account for the systemic constraints of capitalism, arguing that cooperative enterprises would either be absorbed into the market system or, at best, remain isolated experiments for a time.

The case of Mondragon provides a remarkable empirical test of both the achievements and limits of the cooperative model within the constraints of capitalist market conditions. On one hand, it demonstrates that worker cooperatives can scale and compete successfully in national markets, as Mondragon cooperatives have done for many years, and some continue to do so today. During the 20th century, Mondragon built a highly egalitarian and democratic cooperative business network, an ‘association without a capitalist chief’ (Mill [1852] 1987), an ‘independent creation of workers’ (Marx 1864), and ‘a real utopia’ (Wright 2010) that has served as an inspiration and model for several cooperative initiatives worldwide (Clamp and Peck 2023). Furthermore, over many decades, Mondragon defied the predictions of degeneration (Webb and Webb 1921), maintaining a delicately pragmatic balance between economic viability and cooperative principles, although several compromises have been required. Indeed, Mondragon proved the applicability of self-management production in large-scale or heavy industries and demonstrated the potential to challenge the capitalist logic and hierarchical power structures inherent in shareholder-owned corporations.

On the other hand, the degeneration thesis, which historically argued that cooperatives inevitably drift toward capitalist structures (Cornforth 1995; Meister 1984; Webb and Webb 1921), finds new relevance in the Mondragon case.

With the advent of globalization, Mondragon has become a group that, in part, is sustained by multinational ‘coopitalist’ hybrid firms (Bretos, Errasti, and Marcuello 2018; Errasti 2015), introducing deeper tensions and contradictions into the experience. The trajectory of the industrial cooperatives in the global economy since its first foreign subsidiary in 1994, as well as the retailing cooperative’s expansion in the Spanish market, confirms that the pressures of market competition tend to erode democratic governance structures (Las Heras et al. 2024). The creation of subsidiaries abroad, and in the national market in the case of Eroski, that operate under conventional capitalist labor relations challenges the extent to which the Mondragon cooperative model can still be considered a true alternative to capitalist enterprise. While some authors emphasize the potential for regeneration through cooperative experimentation and the extension of cooperative practices beyond the Basque Country (Flecha and Pun 2014; Luzarraga and Irizar 2012), others highlight the inevitable compromises cooperatives have made to survive in a competitive market (Bretos, Errasti, and Marcuello 2024; Kasmir 1996, 2016). The latter argue that, despite improvements in the human resource management of the subsidiaries, the income of Mondragon’s cooperative members increasingly relies on capitalist profits generated by subsidiaries, where workers are employed under conventional labor conditions much like in any other multinational capitalist enterprise.

Looking ahead, we can envision two possible paths for Mondragon’s future regarding its cooperative multinationals and its future as a cooperative group. The first path involves continuing to adhere to the traditional international joint-stock subsidiary model of production – with cost minimization, capital accumulation and hiring of workers. Should they follow this route, they risk drifting even further from their founding values and practices until they become unrecognizable, as they are reorganized along capitalist lines, perpetuating fragmented forms of solidarity and exploitation. As Ormaetxea noted regarding globalization, “the group becomes less cooperative with each passing year... raising the risk that by 2055, the enterprises within the group may regard cooperatives and their focus on people-centered principles as little more than an honorable relic of the past” (2006, 111). If this trajectory continues, it would not only challenge Mondragon’s cooperative identity but also highlight a fundamental limitation of the worker cooperative model – the inapplicability of self-management and democratic governance when expanding into highly competitive, internationalized industries.

The second alternative is to foster cross-border coordinated democratic production under cooperative or at least more participatory governance structures. Only by introducing cooperative regeneration schemes, like those that Mondragon has been implementing in the cooperativization of the subsidiaries in the domestic field, can they advance in international cooperative solidarity and avoid succumbing to cooperative degeneration. The new challenge lies in establishing new

democratic multinational companies, built upon education, dialogue, and inclusive decision-making among all stakeholders. This vision requires the development of international governance structures and operational frameworks that are not only beneficial but also fairer and more equitable for all involved, both for members in the headquarters as well as workers in the subsidiaries (Vanek 2007). By doing so, Mondragon's multinational enterprises could emerge as a viable alternative to capitalist multinationals within the global business landscape.

This dilemma presents an intricate and complex challenge with no apparent solution. On one hand, to remain competitive in global markets, Mondragon must expand internationally. Yet to do so under conventional capitalist structures requires operating subsidiaries that do not adhere to cooperative principles, ultimately diluting cooperative essence and eroding the founding values. On the other hand, transitioning to more democratic international governance structures is, according to Mondragon, not feasible within the constraints of global capitalism. Institutional factors, market pressures, operational complexities, and member interests make large-scale worker self-management across multiple countries impractical. This structural conundrum highlights the inherent tension between scalability and democratic governance in worker cooperatives, underscoring the challenges of maintaining cooperative values in an increasingly globalized economy.

To resolve this conundrum, a strong utopian vision is required – one that, to paraphrase Larrañaga's remarks in the opening of his paper, enables dreaming and conceptualizing international solidarity-based human structures. By embracing this transformation, Mondragon could reclaim its utopian legacy as a pioneering model of economic democracy and international solidarity. Arizmendiarieta argued that cooperatives often encounter seemingly insurmountable barriers that pressure them to abandon their principles, but he emphasized that “the cooperative movement is fueled by a spirit of open solidarity. Its goal is ambitious and long-term: to build a cooperative regime on a global scale, based on solidarity.” (1999, 175) We still think, like Arizmendiarieta and Sarasua in the song of the opening epigraph, that in the realm of capital, Mondragon can help to shape new horizons, but for this, it needs to boldly keep going where no other organization has gone before in idealizing and putting into practice solidary human local and international structures.

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