

Corporate Globalization Versus a Common Human Future, Third World Development,
and the Mondragon Model

by

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1. CLASSICAL ECONOMICS

“Politics without principles,
Pleasures without conscience,
Wealth without work,
Knowledge without character,
Business without morality,
Science without humanity,
Worship without sacrifice,
WILL DESTROY US...”

– M.K. Gandhi

1.1. Background

Until the middle of the 18th century, there was relative economic equality among the countries of the world. However, with the improvements in mechanized technology and their applications to manufacturing, the countries with this improved technology and manufacturing began to economically outdistance those not having it. Accompanying this change on the global economic scene, was a similarly rapid colonization of the countries of Latin America, Africa, and Asia, which had not yet previously been colonized.

England was the center of growth in this improved technology, manufacturing processes, and economic progress. However, the new wealth did not reach all its citizens. The previously wealthy few were now joined by a growing middle class. The majority of people were exploited as laborers in the new factories; they often lived in conditions of squalor and brutal poverty, even leading some to starvation. England, too, became the biggest colonizer in the world, extracting huge natural resources from their colonies, exploiting the native peoples, as they were the majority of their own citizens, and using the conquered populations as markets for their manufactured goods.

1.2. Political Economy – A New Science¹

With the rapid industrialization and growing wealth centered in England, it naturally became also the center for a new science, that of political economy. The brilliant Adam Smith, now looked upon as the founder of the science, with the publication of his An Inquiry into the Nature and Causes of the Wealth of Nations in 1776, became its champion. Although he himself was morally torn by the suffering caused by exploitation of workers in the new mechanized factories, the extent of mechanization and its accompanying social evils was much less than that faced by Karl Marx, John Ruskin and other moralists three quarters of a century later. Adam Smith, author also of The Theory of Moral Sentiments in 1759, separated moral concerns from his economic theories in order to strengthen the scientific foundation of political economy. If he had seen what Marx, Ruskin and others saw 75 years later, no doubt his The Wealth of Nations would not have

separated the moral from the economic – he would be a better champion of humanity and of a humane science.

As it was, Adam Smith has become known as a theoretical supporter of laissez-faire political economics. He maintained that the increasing wealth accumulation, as amassed by individuals, was a benefit to the community, because it added to a nation's wealth. Prosperity could not be achieved by governments; their responsibility was to arbitrate when various self-interests clashed. Smith held that the division of labor increased its productive power; he said nothing about the workers' alienation from the products of their labor. Though Adam Smith favored small manufacturing and business operations, today's massive monopolies/conglomerates quote him in support of what they do. He was staunchly opposed to any monopoly.

1.3. Followers of Adam Smith

Although Adam Smith might be horrified by the way some of those looked upon as his followers wrote in formulating additional aspects of the science of political economics, they have kept to his policy of excluding morality from this science. T.R. Malthus published An Essay on the Principle of Population in 1798. He maintained that population increases faster than the means of subsistence, so starvation is an expected process to limit excess population. From Malthus' theory, David Ricardo, in his The Principles of Political Economy and Taxation published in 1817, developed what became known as "The Iron Law of Wages". The law stated that there was a natural price for labor: one which enabled the worker to survive but, through the threat of starvation, prevented the working population from either increasing in number or decreasing. The total lack of subtlety in this view was able to reveal its viciousness. Ricardo's efforts were directed towards formulating systematic laws in this new science. His labor theory of value, whereby the commodity exchange value differs according to the amount labor in its production and distribution, is another key contribution he made to classical political economy.

It was in 1832 in England that the middle-class entrepreneurs had the franchise extended to them by the Great Reform Bill. For the first time, economic power and growing political power was held by a class with no roots in land and agriculture.

Jeremy Bentham and other utilitarians held that the true foundation of both morals and legislation was "the greatest happiness of the greatest number." Human conduct was governed by seeking pleasure and avoiding pain, in other words, all human actions were motivated by self-interest. James Mill and later his son, John Stuart, brought together the ideas of the political economists and utilitarians. In 1848, the same year Das Kapital was published, J.S. Mill's Principles of Political Economy became available. Five assumptions of Mill form the basis of this work:

- i. Economics is governed by natural laws, which the human will cannot affect.
- ii. That some are condemned to poverty is an effect of these laws.
- iii. Any effort to change/interfere with the natural functioning of these laws can only lead to damaging the economy and welfare of the community.
- iv. The responsibility of governments is to create conditions for self-interest and the laws of supply and demand to work freely.
- v. The sufferings of the poor will be reduced when they better regulate their population.

1.4. Early Opposition to Classical Economics: Karl Marx

Karl Marx is the best known opponent of the classical political economy of Adam Smith and his followers. Marx recognized that the classical economists were unconcerned and inhumane towards the masses of workers, who lived in destitution. He knew that the power of the factory owners came from their control of property, but that 90% people had no property. He thought he had the perfect solution to correct the situation, namely to take all property from the owners and give it under the ownership and management of the state for the welfare of all. “The theory of the communists may be summed up in the single sentence: ‘Abolish private property [in the means of production]’.”²

However, rather than resolving the injustices of the existing economic situation, Marx added a new and greater injustice, namely doing away with private property and consequently with freedom.

“Freedom...means, – and it means nothing else, – the full and quiet enjoyment of your own property. If you have not this, if this be not well secured to you, you may call yourself what you will, but you are a slave.”³

As Benjamin Leigh proclaimed in a debate about allowing those without property to vote (at the Virginia Convention in 1820): “Power and property may be separated for a time by force or fraud—but divorced, never. For so soon as the pang of separation is felt...Property will purchase Power, or Power will take over Property.” In the same year, at the Massachusetts Convention, Daniel Webster said: “Power *naturally and necessarily* follows property.” And again Henry Adams in Public Debts, An Essay in the Science of Finance wrote: “The broad theory of constitutional liberty is that the people have the right to govern themselves; but the historical fact is that, in the attempt to realize this theory, the actual control of public affairs has fallen into the hands of those who possess property.”⁴

Not only did the system of communism, as tested in the Soviet Union, take away property and political freedom from all citizens, but the economic system of socialism which it implemented was a disastrous failure.

2. JOHN RUSKIN – AN ALTERNATIVE POLITICAL ECONOMY

“Privatus illis census erat brevis,
Commune magnum...”

“With (our ancestors) private estates were small and the common wealth great.”
– Horace, Odes, II. xv. 13-14

John Ruskin, a contemporary of Karl Marx, was a renowned art and architectural critic. Deeply affected by the poverty of the urban masses around him and the inhumanity of the scholars of the new science of political economy or “science of becoming rich”, Ruskin created an alternative political economy. In contrast to Adam Smith and his followers, Ruskin put morality on an equal footing with the principles of economics and politics.

Terminology was an important tool for Ruskin in establishing his alternative political economy. *Oikonomia*, the Greek word from which the English economy was derived, meant literally “house-law”. This derivation challenged the reader to see the conflict between what was originally intended and what their economic system actually promoted. The moral implications were obvious. To speak of “political economy” meant to talk of the wealth of the polis, or community/state. Therefore, the science to be created and to describe the economic system had

to be concerned with the commonwealth and not with individuals becoming rich at the expense of fellow citizens and even their own country.

“...if you can determine some honest and simple order of existence...sanctifying wealth into ‘commonwealth’, all your art, your literature, your daily labors, your domestic affection, and citizen’s duty, will join and increase into one magnificent harmony.”⁵ Mercantile economy, the economy of merces, or pay, is what the classical economists really were presenting.

The relation between employer and employee had to be based upon justice, not on expediency or profit. The concept of abstract justice was inherent to all human interactions. “...of the things intrinsic to man’s nature that make him fully a human being, justice is the first and most important.”⁶ In the relationship of employer and employee, there must be the recognition of need and reciprocal responsibility. To exploit workers by underpaying them is a form of theft and if workers starve to death due to their poverty, it is murder.

A society, which fails to provide work that develops the worker’s humanity, is likewise guilty of injustice. Ruskin finds irony in Adam Smith’s phrase “the great civilized invention of the division of labor”. Ruskin claims that not only is labor divided but equally the human being. The worker becomes a cog of a machine in the assembly-line production process. One of the successful models of the classical economic system is Henry Ford. In his autobiography, Ford writes that 7,882 operations or specialized jobs were needed to manufacture one of his automobiles. Of these jobs, 949 required “strong able-bodied, and practically physically perfect men,” 3,338 needed men of merely ‘ordinary’ physical strength, most of the rest could be performed by “women or older children,” and, he continued coolly, “we found that 670 could be filled by legless men, 2,637 by one-legged men, two by armless men, 715 by one-armed men and 10 by blind men.” There could be no clearer example of the exploitation of the human being, the worker, in the “science” of getting rich. Ruskin insists that you can make man human or you can make him a tool, but it is not possible to make him both.

In the political economy of John Ruskin, the five great intellectual professions – soldier, pastor, physician, lawyer, and merchant – relating to daily necessities of life, each have as their purpose a special concern for the community or nation. The merchant’s purpose is to provide for society. It is NOT to get profit for himself...The merchant “...has to understand to their very root the qualities of the thing he deals in, and the means of obtaining or producing it; and he has to apply all his sagacity and energy to the producing or obtaining it in perfect state, and distributing it at the cheapest possible price where it is most needed.”⁷

The merchant, in other words, is a valuable member of society, responsible for the persons involved in production and marketing of the products as well as for the customers so that they receive quality goods as cheaply as possible. There may be no greater difference between the political economy of Ruskin and that of the classical economists than the latter’s insistence that capitalists work only from self-interest and this view of Ruskin.

In 1876, while visiting Venice for architectural research, Ruskin came to the first church of the city founded in A.D. 421, San Giacomo di Rialto, in the original center of Venice. In A.D. 1090, Doge Domenico Selvo decorated this church. Ruskin discovered an inscription put upon the church at that time, namely: “Around this temple, let the Merchant’s law be just, his weights true, and his contracts guileless.”⁸ To Ruskin, the thought perception expressed in this inscription proved that a society could integrate morality and economics. It showed clearly that justice could be given priority to self-interest.

The word “value” is derived from *valere* which, if speaking of a man, means strong in life or valiant; if of a thing, then strong for life or valuable. To be “valuable”, therefore, means to “avail towards life”. To the extent it does not promote life, it is less valuable or if it leads away from life it is unvaluable or malignant. For Ruskin, a profitable factory that pollutes the environment cannot be looked upon as a producer of wealth.

Production has no meaning in itself. If production increases, doubles or whatever, such is not its meaning or value. The fruit of production is consumption and of consumption it is life. The question of capital is not how long will it take to reproduce but rather what will it do during reproduction? What substance will it furnish good for life?

Production does not consist in things laboriously made but in things serviceably consumable. The concern of the nation is not how much labor capital employs but how much life it produces. The richest country is the one with the greatest number of noble happy humans. The richest person has the widest helpful influence over the lives of others.

2.1. Ruskin: Religion and Economics

“...Rob not the poor because he is poor; neither oppress the afflicted in the place of business. For God shall spoil the soul of those that spoiled them.”
– Proverbs xxii. 22, 23

“In Gandhi’s view, spiritual values should not be separated from politics, economics, agriculture, education, and all the other activities of daily life...a separation of religion from society will breed corruption, greed, competition, power mania, and the exploitation of the weak and poor. Politics and economics without idealism will be a kind of prostitution, like sex without love.”⁹

Ruskin had personally abandoned his earlier deep religious beliefs and practices, but he uncovered the hypocrisy of the wealthy of a Christian nation which acted in the opposite way from its religious doctrines. Regarding religion and economics, he wrote:

“I know no previous instance in history of a nation’s establishing a systematic disobedience to the first principles of its professed religion. The writings which we (verbally) esteem as divine, not only denounce the love of money as the source of all evil, and as an idolatry...but declare mammon service to be the accurate and irreconcilable opposite of God’s service...whenever they speak of riches absolute, and poverty absolute, declare woe to the rich, and blessing to the poor. Whereupon we forthwith investigate a science of becoming rich, as the shortest road to national prosperity.”¹⁰

In 1864 Ruskin was invited by a group of Yorkshire citizens to advise them on the architecture for a new Exchange building they were planning. He came to the Bradford Town Hall and presented his views. He refused to do what they asked, he told them, because he had no confidence that a socially and economically unjust society could or would produce good architecture. In his presentation he remarked:

“I notice that among all the new buildings which cover your once wild hills, churches and schools are mixed in...large proportion, with your mills and mansions; and I notice also that the churches and schools are almost always Gothic, and the mansions and mills are never Gothic. May I ask the meaning of this?...When Gothic was invented, houses

were Gothic as well as churches; and when the Italian style superseded the Gothic, churches were Italian as well as houses...But now you live under one school of architecture, and worship under another.

“...am I to understand that you consider Gothic a pre-eminently sacred and beautiful mode of building...reserved for your religious services?...though it may seem...graceful and reverent, at the root of the matter, it signifies neither more nor less than that you have separated your religion from your life.”¹¹

Similarly, Ruskin speaks of and writes of “the great Goddess of ‘Getting-on’ or ‘Britannia of the Market’”. He explains that she forms their architecture and will continue to do so as long as they worship her.¹²

Luxury and waste would not be possible if people could see the suffering of the poor in front of them. Ruskin gives a striking example of people at a banquet having one wall removed and seeing in front of them the suffering and starving. He says: “...luxury at present can only be enjoyed by the ignorant; the cruelest man living could not sit at his feast, unless he sat blindfold.”¹³ Elsewhere he gives the example of the story in Luke’s Gospel of the rich man who feasted daily and the poor man, Lazarus, who sat at his gate, longing for the crumbs which fell from his table. Ruskin says: “...look after Lazarus at the doorstep. For there is a true church wherever one hand meets another helpfully, and that is the only or Mother Church which ever was, or ever shall be.”¹⁴

The word rich implies the word poor. Riches are a means of power over others; to keep and expand their power, the rich must exploit the poor. The greater the inequality between rich and poor and depth of poverty, the greater the power of the rich. It is the classical political economy which encourages this disparity between citizens of one country and between rich and poor countries – this is a mercantile economy, not a true political economy.

Usury – to make money out of money – is to live off the labor of others. It is a modern sickness. Though the practice was often forbidden in earlier ages on religious grounds, under modern capitalism, dependent on lending at interest, claims Ruskin, it is now fully acceptable.

Ruskin condemned modern culture for its deeply-rooted social failures. England was a rich society, which could not employ its workers. It had a National Debt instead of a National Store. Over-production was said to be a cause of poverty. The concept of planned obsolescence was accepted. The arms race was seen as a source of economic growth. There were everywhere extremes of poverty and starvation alongside ostentatious luxury and waste. People professed Christianity but justified poverty as a law of nature not to be tampered with. The majority of people were expected to be content, living in conditions of squalor and brutal ugliness.

This situation was a result not only of individuals, but of the modern philosophy. It provided a mechanistic view of human nature. Though there was a belief in political liberty, conditions of poverty made such liberty useless for the majority of people. Commonwealth was viewed as the result of individual self-interest multiplied.

The laws of the market expressed by the classical economists in their science of political economy were the main source of social evils. Ruskin proposed, in his alternative political economy, that adding one word only to the main definition given by the classical economists to their science, could correct the shortcomings of the science and help construct a better society and world. The single word was “just”. By calling their science the science of getting rich by just

means, it would follow that in order to grow rich scientifically, it would be necessary to grow rich justly. Ruskin called the people of his country and his age to follow the path contained in Dante's Paradiso (Canto xviii):

“Diligite Justitiam Qui Judicatis Terram.”

“Ye who judge the earth give diligent love to justice.”

3. THE RESULTS OF IMPLEMENTING CLASSICAL ECONOMICS

“Personally I fail to see any amelioration of morals, nor do I propose to take any one's word for it. I do not find, for instance, that the relation between the factory owner and the worker is more humane than between the landlord and the serf.”

- Lev Tolstoy, 1861

Unfortunately, the moral alternative of a science of becoming rich justly, offered by John Ruskin, was ignored and the growth of national and global economies have led to a divided world, divided nations and a host of other problems. The depth of the problems and much of their extent has been detailed by Richard Tarnas:

“The critical contamination of the planet's water, air and soil, the manifold harmful effects on animal and plant life, the extinction of innumerable species, the deforestation of the globe, the erosion of topsoil, the depletion of ground water, the vast accumulation of toxic wastes, the apparent exacerbation of the greenhouse effect, the breakdown of the ozone layer in the atmosphere, the radical disruption of the entire planetary ecosystem – all these emerged as direly serious problems with increasing force and complexity...New banes and stresses to the social fabric continued to appear...urban overdevelopment and overcrowding, cultural and social rootlessness, numbingly mechanical labor, increasingly disastrous industrial accidents, automobile and air travel fatalities, cancer and heart disease, alcoholism and drug addiction, mind-dulling and culture-impoverishing television, growing levels of crime, violence, and psychopathology...the advance of science presented new Faustian dilemmas, as in those surrounding the unforeseeable future uses of genetic engineering. More generally, the scientifically unfathomed complexity of all relevant variables – whether in global or local environments, in social systems, or in the human body – made the consequences of technological manipulation of those variables unpredictable and often pernicious.”¹⁵

In addition to the list of problems above, our economic system has created an immense and growing gap between rich and poor within and among countries. Besides resulting in continuing impoverished lives for a large part of humanity, the gap has spawned growing alienation, antagonism and terrorism rather than the increase of unity among humankind.

The economic system developed out of the industrial revolution and consequent technological and scientific advances has continued to be disassociated from morality and has remained the “science of becoming rich.” This system as it has been promoted, can be best described as one of “colonialism”. For the purposes of this paper, colonialism may be defined as “the exploitation by individuals and groups of people of other individuals and groups of living beings for exercising political and other power over them and for extracting economic benefit from them.” It may be divided into three overlapping phases.

The first may be called the Political-Economic phase and describes the forceful military and political capture of peoples and nations and their economic exploitation for the benefit of the

colonial power. This period ranges from the so-called “discovery” of America in 1492 by Christopher Columbus and extends till the mid-20th century. The second may be called the Colonialist-Development phase, referring to the organized economic control and exploitation of poorer countries by wealthy ones under the guise of helping them to “develop”. It extends throughout the 20th century, particularly the last 60 years. The third period may be called the Colonization of Life and Humanity phase, referring to the control and exploitation of all life, including that of humankind, through genetic engineering. The last quarter of the 21st century saw the rapid growth of this new colonization, with the 21st century promising its overwhelming and rapid extension.

3.1. Political-Economic Colonialism

The magnetic compass, allowing for extensive sea travel, could be considered the symbol of Political-Economic colonialism. Though there are examples throughout history of military and political domination of peoples and nations by others, the modern world has experienced a new type of this reality. Coalescing with the “industrial revolution” and its accompanying mass production of goods, unlimited growth and profit mentality, a special harshness was reserved for those who became colonials. Their cultures and religions were denigrated, they were enslaved, their country’s resources were exploited and often large numbers of colonials were exterminated.

Ashish Nandy says: “...the modern world, including the modernized Third World, is built on the suffering and brutalization of millions.”¹⁶

Richard Tarnas says:

“Disenchanted eyes are now cast onto the West’s long history of ruthless expansionism and exploitation – the rapacity of its elites from ancient times to modern, its systematic thriving at the expense of others, its colonialism and imperialism, its slavery and genocide, its anti-Semitism, its oppression of women, people of color, minorities, homosexuals, the working classes, the poor, its destruction of indigenous societies throughout the world, its arrogant insensitivity to other cultural traditions and values, its cruel abuse of other forms of life, its blind ravaging of virtually the entire planet.”¹⁷

Jean-Paul Sartre says:

“It [colonialism] was nothing but an ideology of lies, a perfect justification for pillage; its honeyed words, its affectation of sensibility were only alibis for our aggressions... You know well enough that we are exploiters.

“You know too that we have laid hands on first the gold and metals, then the petroleum of the ‘new continents,’ and that we have brought them back to the old countries. This was not without excellent results, as witness our palaces, our cathedrals, and our great industrial cities; and then when there was the threat of a slump, the colonial markets were there to soften the blow or to divert it.”¹⁸

Frantz Fanon says:

“This European opulence is literally scandalous, for it has been founded on slavery, it has been nourished with the blood of slaves and it comes directly from the soil and from the subsoil of that underdeveloped world. The well-being and the progress of Europe have

been built up with the sweat and the dead bodies of Negroes, Arabs, Indians, and the yellow races.”¹⁹

3.2. Colonialist-Development

The Bretton Woods institutions, providing a formal and powerful structure to control and exploit the poorer countries of the world by the wealthier, could be considered the best symbol of this historical phase. The United States of America, together with the industrialized nations of Western Europe, has been the leader in promoting development during the 20th century. In the typical colonial spirit of viewing the colonizer/developer as superior and the colonized/to-be-developed as inferior peoples in need of the paternalistic help of their superiors, the USA has steamrolled the world with its “honeyed words” of development kindness.

Elihu Root, US Secretary of State and 1912 Nobel Peace Prize awardee, wrote in 1916, concerning his role in separating Colombia from Panama:

“With or without the consent of Colombia, we will dig the canal, not for selfish reasons, not for greed or gain, but for the world’s commerce, benefiting Colombia most of all...We shall unite our Atlantic and Pacific coasts, we shall render inestimable service to mankind, and we shall grow in greatness and honor and in the strength that comes from difficult tasks accomplished and from the exercise of the power that strives in the nature of a great constructive people.”²⁰

Following the Second World War, the US had three special needs and objectives. The first was to save the international economic system, the free enterprise system. The second was to re-unite the industrialized countries. Thirdly, there was a great need to prevent the spread of communism, even though Russia had been the West’s important ally in the war against Hitler and his axis.

During the war, US surplus capital had accumulated; higher profits could be made by using it abroad. The productive capacity of American industry had doubled during the war and overseas markets were needed for American products. To maintain competitiveness internationally, the US wanted to control raw material sources abroad. Finally, the US intended to establish a global network of unchallenged military power so that it could control access to raw materials, markets, and consumers.²¹

Shortly before his death, in March 1945, US President, Franklin Roosevelt and King Abdel Aziz ibn Saud signed an agreement, the details of which are secret, which established a long-lasting strategic partnership between the two countries. It is believed that the agreement, providing leases to oil corporations to the US, was for 60 years.²²

While this strategic agreement provided for a stable and significant part of the US’s energy needs, even more basic to its long-term strategy was the formulation of a way to control worldwide natural resources, economies of poor countries and international markets. There has been a great deal written on the manner in which the World Bank, International Monetary Fund, General Agreement on Tariffs and Trade and now the World Trade Organization have been used for the benefit of wealthy countries and exploitation of poor ones.

“This is how the World Bank maintains intellectual and financial hegemony in development: it channels the largest amount of funds: it opens new regions to investment through transportation, electrification, and telecommunications projects; it contributes to the spread of MNCs through contracts; it deepens dependence on international markets

by insisting on production for exports; it refuses to lend to ‘unfriendly governments’ (such as Chile under Allende); it opposes protectionist measures of local industries; it fosters the loss of control of resources by local people by insisting on large projects that benefit national elites and MNCs; it responds closely to the interests of international capitalism in general and U.S. foreign policy in particular....”²³

Winner of the 2001 Nobel Prize in Economics, Joseph Stiglitz, in his book Globalization and Its Discontents, has extensively documented his insider experience of working with the World Bank and confronting the adverse policies of the IMF and other development bodies. He has given examples of the human and social disasters resulting from misguided policies in Russia, South Korea, Indonesia, Thailand, other countries of the former Soviet Union, countries of Africa and Latin America. He says that the policies introduced under the banner of development have produced just the opposite effects:

“The result for many people has been poverty and for many countries social and political chaos. The IMF has made mistakes in all the areas it has been involved in: development, crisis management, and in countries making the transition from communism to capitalism...Even those countries that have experienced some limited growth have seen the benefits accrue to the well-off, and especially the very well-off – the top 10 percent – while poverty has remained high, and in some cases the income of those at the bottom has even fallen.”²⁴

Stiglitz indicates that Russian industrial production decreased by about 60% from 1990-99, GDP by 54%, farm livestock by 50% and investment in manufacturing practically stopped. In 2000, Russia had a GDP less than two-thirds of what it was in 1989. In contrast, China – whose economic policies were self-determined – increased GDP at a rate of over 10% annually during the 1990s. While the Russian transition led to one of the largest increases in poverty in history in such a short span of time, China’s transition was leading to the largest reduction in poverty in history (358 million in 1990 to 208 million in 1997).²⁵

In Chile, the proportion of families below the line of destitution rose 12% to 15% between 1980 and 1990; the total below the poverty line was about 40% or 5.2 million people out of 13 million. For this 40% population the daily calorie intake went down from 2,019 in 1970 to 1,751 in 1980 and again to 1,629 in 1990. Similarly, income distribution in Chile during this time became more skewed in favor of the richest 10% and, for the poorest 50%, went down from 20.4% to 16.8%. The IMF and World Bank were implementing a 12-year structural adjustment program in the country, which primarily produced these results.

Even more devastating has been the situation in Sub-Saharan Africa where total debt by 1994 amounted to 110% of GNP. On top of the area’s other serious problems including widespread famine and civil war, lack of capital flows (except for aid), and with plunging commodity prices, the Bretton Woods institutions imposed structural adjustment programs. Africa’s per capita income declined by 2.2% per year during the 1980s and was at the same level as at the time of independence in the early 1960s.²⁶

In development strategy, peasants in developing countries were initially of no importance. Later, due to the needs of MNCs, which were extending operations in places where they could get cheap labor, namely Third World urban centers, small and marginal farmers became important for producing cheap food for the urban labor force. Robert McNamara, president of the World Bank presented the integrated rural development strategy of the Bank for increasing production on small farms. He stated:

“Neither we at the Bank, nor anyone else, have very clear answers on how to bring the improved technology and other inputs to over 100 million small farmers...But we do understand enough to get started. Admittedly, we will have to take some risks. We will have to improvise and experiment. And if some of the experiments fail, we will have to learn from them and start anew.”²⁷

Since the Bank would be advancing loans, which had to be repaid with interest, the risks would not be the Bank’s but the developing countries and small farmers within them. When the Bank admitted that “past strategies in most developing countries have tended to emphasize economic growth without specifically considering the manner in which the benefits of growth are to be distributed...,” it should have been admitting its own past failures. However, it rather presented itself as the champion of justice, concerned for redistribution.²⁸

Economic measurements such as Gross Domestic Product (GDP) and Gross National Product (GNP), established by the rulers of development, the economist-bureaucrats of the Bretton Woods institutions, measure only increased economic growth and not the qualitative impact on people, communities and environment. For example, GDP shows car crashes, divorces and new prison construction as economic gain, simply because money changes hands. The volume of production and consumption are the only factors included without considering destruction of environment, effect on health, or workers’ rights. Land degraded thousands of years ago in the Tigris and Euphrates river valley continues unproductive today. However, six million hectares of new lands are abandoned yearly due to present agricultural practices which lead to erosion, salination or waterlogging.²⁹

Likewise, for the development institutions and even leading economists and decision-makers in poor countries, exports become the so-called “engine of growth”, even if at the expense of the well-being of one’s own people. From 1977-1984, Brazilian per capita production of basic foodstuffs fell 13% while exportable foodstuffs went up 15% – 50% Brazilians meanwhile suffer malnutrition. India, with 61% child malnutrition, according to the Food and Agriculture Organization (FAO), is now one of the largest food-exporting nations in the Third World.

Jerry Mander and Edward Goldsmith argue: “Free trade, economic growth, development, structural adjustment, and technological innovation are actually the source of, rather than the solution to, our problems.”³⁰ Edward Goldsmith likewise maintains:

“There is no evidence that trade or economic development are of any great value to humanity. World trade has increased by twelve times since 1950 and economic growth has increased fivefold, yet during this period there had been an unprecedented increase in poverty, unemployment, social disintegration, and environmental destruction. The environment, on the other hand, is our greatest wealth, and to kill it, as the TNCs are methodically doing, is an act of unparalleled criminality.”³¹

The promise of development following World War II has led the poor countries to disillusionment. Rather than fulfillment of a dream, it has been a nightmare. Instead of improved quality of life for all, development has produced the opposite: “...massive underdevelopment and impoverishment, untold exploitation and oppression. The debt crisis, the Sahelian famine, increasing poverty, malnutrition, and violence are only the most pathetic signs of the failure of...development.”³²

David Korten gave a keynote address in 1994, the 50th anniversary of the foundation of the Bretton Woods institutions. Symbolically, he spoke at a convention held at the Mt. Washington Hotel in Bretton Woods, New Hampshire, the site of the 1944 meeting. He summarized beautifully the meaning and results of the 50 years of these institutions:

“As we look back fifty years later, we can see that the Bretton Woods institutions have indeed met their goals. Economic growth has expanded fivefold. International trade has expanded by roughly twelve times, and foreign direct investment has been expanding at two to three times the rate of trade expansion. Yet, tragically, while these institutions have met their goals, they have failed in their purpose. The world has more poor people today than ever before. We have an accelerating gap between the rich and the poor. Widespread violence is tearing families and communities apart nearly everywhere. And the planet’s ecosystems are deteriorating at an alarming rate.”³³

3.3. Colonization of Life and Humanity

“...the reason Japanese people are so short and have yellow skin is because they have eaten nothing but rice and fish for two thousand years...[I]f we eat McDonald’s hamburgers and potatoes for 1,000 years, we will become taller, our skin white and hair blonde...”

– President of McDonalds, Japan

Patents and Intellectual Property Rights (IPRs), allowing for life to be cheapened to economic profit value and traditional knowledge and biodiversity to be taken away from community ownership for economic gain, are the fittest symbols for the colonization of Life and Humanity.

In 1989 dozens of Americans died and several thousand were afflicted and impaired by a genetically altered version of a food supplement called L-tryptophan. Japan’s 3rd largest chemical company (Showa Denko) paid a compensation settlement of US \$2 billion. Recently, the US government ordered Prodigene Inc., a Texas-based biotechnology company, to pay a \$250,000 fine and destroy 500,000 bushels of soybean because the crop was contaminated with genetically engineered corn.

In the United States, an estimated 60%-70% of food on supermarket shelves contains some genetically altered ingredients, although biotech foods have not been proven safe either for human consumption or for the environment.³⁴

Since the US Supreme Court in 1980 ruled five to four in favor of General Electric and its employee, A. M. Chakravarty, on providing a patent for a genetically engineered pseudomonas bacteria, there has been a great rush for the patenting of plants and animals. A sheep named Tracy was a “biotechnological invention” of the scientists of Pharmaceutical Proteins Ltd. (PPL). Through the introduction of human genes, the mammary glands of Tracy are engineered to produce a protein, alpha-1-antitrypsin, for pharmaceutical use. The Director of PPL, Ron James, has said: “The mammary gland is a very good factory. Our sheep are furry little factories walking around in fields and they do a superb job.”³⁵ Though Tracy produced 30 grams of the desired protein per liter of milk, the other lambs produced under the patent were not similar. 550 sheep eggs were injected with hybrid DNA; 499 survived. When these were transplanted into surrogate mothers, 112 were born of which five incorporated the original human gene which Tracy had. Of the five, three produced the desired protein in their milk, two of which produced only three grams per liter of milk. As Vandana Shiva says:

“While genetic engineering is modeled on determinism and predictability, indeterminism and unpredictability are characteristic of the human manipulation of living organisms. In addition to the gap between the projection and practice of the engineering paradigm, there is the gap between owning benefits and rewards and owning hazards and risks...when it comes time for the ‘owners’ to take responsibility for the consequences of releasing genetically modified organisms, suddenly the life-forms are not new. They are natural and hence safe.”³⁶

Dr. George Wald, 1967 Nobel Laureate in Medicine and Harvard University Higgins Professor of Biology, has remarked:

“Recombinant DNA technology faces our society with problems unprecedented not only in the history of science, but of life on earth. It places in human hands the capacity to redesign living organisms, the products of three billion years of evolution. Such intervention must not be confused with previous intrusions upon the natural order of living organisms; animal and plant breeding...All the earlier procedures worked within single or closely-related species.... Our morality up to now has been to go ahead without restriction to learn all that we can about nature. Restructuring nature was not a part of the bargain....this direction may be not only unwise, but dangerous. Potentially, it could breed new animal and plant disease, new sources of cancer, novel epidemics.”

4. CORPORATE GLOBALIZATION

“If we don’t make a careful analysis of the worldwide processes behind neoliberalism, exclusively driven by market forces, we run the risk of getting caught up and carried away with the benefits it seems to confer. We will not perceive that when our society is awash with selfishly affluent people, it is because other people are being made sorely wanting by the system. We will be oblivious to the huge number of people sacrificed to the god of economic efficiency. To millions of workers laboring long hours for next to nothing; to children enslaved in grown-up work; to generation after generation of men and women condemned to lives of poverty and stunted development; to millions dying of hunger in countries held hostage by foreign debt. In its latest report, the UN has noted that the gap between the richest and poorest nations is growing at an alarming rate.”

– Circulars of the Superiors General of the Institute of the Marist Brothers of the Schools, Volume XXX, Number 4, “Concerning Our Material Goods” (2000).

David Korten authored a book in 1995: When Corporations Rule the World. Actually, the Multi-National Corporations (MNCs) can already be said to rule the world. They have inherited the theory of Classical Economics, the “science of becoming rich”, divorced from morality. They continue the spirit of Political-Economic Colonialism, strongly supported by Colonialist-Development and finding the new Colonization of Life and Humanity a most promising economic boon for an even more greedy future. Many key world political leaders are their former (and future) employees and beneficiaries.

Joseph Stiglitz, as have so many other analysts of the globalization reality, has said:

“The problem is not with globalization, but with how it has been managed...[it has] served the interests of the more advanced industrialized countries – and particular interests within those countries – rather than those of the developing world...for millions of people globalization has not worked. Many have actually been made worse off, as

they have seen their jobs destroyed and lives become more insecure...They have seen their democracy undermined, their cultures eroded.

“If globalization continues to be conducted in the way that it has been in the past...globalization will not only not succeed in promoting development but will continue to create poverty and instability. Without reform, the backlash that already started will mount and discontent with globalization will grow....this will be a tragedy for all of us....”³⁷

Very simply stated, globalization under the control of MNCs and their political supporters, is creating a harshly divided world, causing immense human suffering for billions. Failure to confront this powerful political-economic force will be the greatest tragedy in human history and in the history of life on earth.

4.1. The Effect on Farmers and Laborers

Farming has changed so rapidly and radically in the North in the past two generations that farmer numbers in the US are no longer significant enough to be counted in US Census figures; they became “insignificant” in 1993, when they dropped below 2% of the total population. In both the US and Europe, farmers are receiving smaller and smaller portions of the food income while agribusinesses receive more and more. By 1990 in the US, only nine cents of every dollar spent on domestically produced food went to the farmer; the rest went to middlemen, marketers, and input suppliers. From 1990 to 1999, farmers’ costs went up by 17% and produce prices down by 9%. “...farmers hooked to the global food system have become little more than serfs in a corporate feudal system.”³⁸ The situation in Europe is similar. For example, in the 1950s, German farmers received about 75% income on cost of food produced; the ratio is now down to 20%.

The result for farmers in the North, connected to the corporate agribusinesses, is that they are rapidly being eliminated from farming. Similarly, businesses connected with food production farms are being wiped out. In the early 1970s, there were about 36,000 family farms rearing pigs in Ireland. Bacon factories existed in liaison with them. By 1996 only 700 pig farmers and six bacon factories remained.³⁹

When 235,000 family farms failed in the US during the mid-1980s, about 60,000 other related rural businesses failed. In the UK, the opening of 25,000 agribusiness retail stores outside urban areas led to the closing of 238,000 independent shops in rural areas. In Italy, the opening of superstores called ipermercati has led to the closing of 370,000 small, family-run businesses since 1991. Besides the loss of self-employment by citizens of each country, there is a great loss of local income as agribusiness withdraws funds that the local businesses used to re-invest in their communities.⁴⁰ The elimination of small farming does not lead to higher productivity rates; in fact, just the opposite. According to Peter Rosset of an organization called Food First, there is an “inverse relationship between farm size and output.” Smaller farms everywhere produce from 200% to 1,000% more per acre than larger farms. In the US, ten times more value is produced. In Uganda, smaller farms are six times more productive and in Syria four times.⁴¹

Fortunately, the situation of small farmers and small rural businesses in the South is less catastrophic than of those in the North. However, the same trend is obvious, with much help from “development”. The needs of MNCs for urban labor led to development strategies which

neglected and sometimes even deliberately impoverished rural areas, forcing rural people to urban areas in search of work. Due to development strategies, Third World countries now have large numbers of permanent urban surplus workers. The situation beautifully serves the needs of MNCs for cheap and abundant labor, though for the laborers it means continuing impoverishment, insecurity and hopelessness. Though development economists euphemistically describe this situation in terms of “undesirable consequences” or “painful realizations”, the increased poverty and unemployment “were by no means peripheral to the models used but belonged to their inner architecture.”⁴²

The situation in Third World countries is being replicated by MNCs in the developed world. France, for example, had experienced spectacular 80% growth in GNP in the 20-year period from the mid-70s to mid-90s; at the same time unemployment shot up from 420,000 to 5.1 million.⁴³ In 1995, the International Labor Organization announced that one-third of the willing-to-work population in the world was either unemployed or underemployed – the worst situation since the 1930s. The 200 largest corporations in the world now account for 28% of global economic activity but less than 0.25% employment.⁴⁴

Japanese-owned automobile factories can now produce a finished automobile in less than 8 hours. With the shortening of production time, fewer workers are needed on the line. Kenichi Ohmae, a leading Japanese management consultant, notes that Japan’s nine automakers employ fewer than 600,000 workers to produce more than twelve million cars a year. Detroit automakers employ more than 2.5 million workers to produce the same number of vehicles. US automakers are re-engineering their production lines to make them similar to Japan’s, leading to huge reductions in numbers of laborers required.

Banks are also discovering that automated tellers are cheaper and more efficient than human ones:

“A human teller can handle up to 200 transactions a day, works 30 hours a week, gets a salary anywhere from \$ 8,000 to \$ 20,200 a year plus fringe benefits, gets coffee breaks, a vacation and sick time....In contrast, an automated teller can handle 2,000 transactions a day, works 168 hours a week, costs about \$ 22,000 a year to run, and doesn’t take coffee breaks or vacations.”⁴⁵

Some 1,100,000 industrial robots have been sold up to the end of 1999. Of these, it is estimated that 743,000 were still in use. By the end of 2003, the number being used is predicted to be 892,000.⁴⁶ With extensive scientific research and financial resources being invested in robotics development, their replacement of labor, especially in the most highly labor-intensive activities, is expected to rapidly increase.

Besides the problems of unemployment, underemployment, low wages and insecurity of employment, a subtle by-product of today’s corporate globalization economic system is the commodification of labor.

“...the social bond between employer and employee gradually becomes only an economic bond. Workers become just like any other factor of production....Leave people connected to society with only a job in an environment where labor is viewed as simply another cost and its mobility a plus, and rest assured that you’ll get just what we now have – restlessness, a sense of being out of place, a feeling of uprootedness, and a steady deterioration of civility.”⁴⁷

For the endless examples of economic murder for profit, mostly buried in history, let the following two examples symbolize all. It is the futurist, Alvin Toffler, who gives an example of the ruthlessness of the economic death machine:

“Rubber offers another example. After the turn of the century when automobile production in the United States created a sudden heavy demand for rubber for tires and inner tubes, traders, in collusion with local authorities, enslaved Amazonian Indians to produce it. Roger Casement, the British Consul in Rio de Janeiro, reported that the production of four thousand tons of Putumayo rubber between 1900 and 1911 resulted in the death of thirty thousand Indians.”⁴⁸

The example of the early 20th century from the Putumayo rubber production should not lead us to think that the attitude towards labor was a past historical phenomenon and not relevant to today. Irwin Gordon, Ava-Line president, when asked by Business Week to explain the firm’s success, described how easy it was:

“We have a factory in China where we have 250 people. We own them: it’s our factory. We pay them \$ 40 a month and they work 28 days a month. They work from 7 a.m. to 11 p.m. with two breaks for lunch and dinner. They eat all together, 16 people to a room, stacked on four bunks to a corner. Generally, they’re young girls that come from the hills.”

Concerning the way US laborers are treated/exploited within its own borders, the MIT economist, Paul Krugman says:

“We have the resources to take far better care of our poor and unlucky than we do; if our policies have become increasingly mean-spirited, that is a political choice...We cannot evade responsibility for our actions by claiming that global markets made us do so.”⁴⁹

4.2. The Impact of Corporate Globalization Practices on Human Health

“Food scares occur with increasing regularity, leading many to wonder whether their meals are safe to eat. Genetically altered crops have been planted on much of America’s farmland, angering consumers and environmentalists, and setting off trade disputes with Europe and Japan. Corporations are tightening their hold over the world’s food supply, inciting farmers and other citizens around the world to call for boycotts, to attack fast-food chains, and to uproot genetically engineered crops.

“All of this turbulence has its origins in the industrialization and globalization of food and farming. With food reduced to a commodity in a volatile market, farming is becoming ever more specialized, capital-intensive, and technology-based, and food marketing ever more globalized. These trends are proving disastrous for consumers, farmers, local economies, and the environment; nonetheless, most governments intend to accelerate the process....”⁵⁰

The strange thing about the global food industry is that it is not a truly competitive “industry”, but is provided triple financing from the public. One form of financing is in the form of transport infrastructure. The public, through taxation, pays for the infrastructure, which is used in an absurdly inefficient way. As economist Herman Daly points out: “Americans import Danish sugar cookies, and Danes import American sugar cookies. Exchanging recipes would surely be more efficient.”

Secondly, the public pays to buy its food from the market. And, thirdly, the public pays its largest subsidy through huge external costs incurred by the industrial farming practices on which the global food system relies. These external costs include damage to soil, air, water, human health, and biodiversity. In the US alone, this latter subsidy is estimated at \$ 34.7 billion annually.⁵¹ Not only today's public pays this subsidy, but future generations as well. One estimate of the benefits received by US corporations from subsidies and external costs is \$ 2.4 trillion annually.⁵²

What is even more stunning from the triple investment made by the public for meeting its food needs, is that the results are atrocious. A disease technically known as Bovine Spongiform Encephalopathy (BSE) and popularly known as "Mad Cow Disease" crosses species from cows to humans in the form of the deadly Creutzfeld-Jakob Disease (CJD). CJD led to the death of more than 100 people in the United Kingdom by the end of 2001; as it has a long latency period, the final death toll remains unknown. The UK government's chief medical officer, Professor Liam Donaldson, has stated: "We're not going to know for several years whether the size of the epidemic will be a small one, in other words in the hundreds, or a very large one, in the hundreds of thousands."

In May 1992, the US Food and Drug Administration (FDA) approved the use of genetically engineered Bovine Growth Hormone (BGH) in cows to increase milk production. The drug is produced by Monsanto and has devastating health impact on dairy cows; the milk they produce has high levels of hormones and antibiotics. It is sold, unlabeled in the US, Mexico, Russia, India and elsewhere. Another company, Calgene has gotten FDA approval for a genetically engineered tomato that contains an antibiotic-resistant gene suspected of conferring resistance to common antibiotics used to treat children.⁵³

The list of health dangers, illnesses and resulting deaths from the present system of agribusiness, based on mass-scale agriculture, food handling/treatment, and intercontinental marketing, is overwhelmingly vast and rapidly growing. Worldwide, the annual number of farmworker deaths from pesticide exposure is estimated between 20,000 and 40,000. In the US alone, there are 300,000 farmworkers' illnesses annually. The Environmental Research Foundation suggests that tens of millions of urban Americans are drinking and bathing in contaminated water; a study by the US Environmental Protection Agency (EPA) suggests that the numbers are even higher. This EPA study notes that 80% adults and 90% children in the US have the pesticide Chlorpyrifos in their urine.⁵⁴ Five hundred new chemicals have been introduced into the human body in the US during the 20th century.

The herbicide and known carcinogen Atrazine has been banned in seven European countries but is lawful in the US; there are 30 more pesticides identified as definitely or probably carcinogenic that are legally used on US crops (cf. US EPA website: www.epa.gov/pesticides/carlist). A recent US study found that 20% supermarket samples of ground meat and poultry were contaminated with salmonella. Another study found that 86% supermarket chicken meat which was tested had the enterococcus faecium germ which is sometimes fatal (cf. Janet Raloff, "Retail Meats Host Drug-resistant Bacteria", Science News Online, October 10, 2001, www.sciencenews.org/20011020/).

Taiwan has often been admired for its rapid economic growth. However, it has become an ecological disaster area. Recently, 30% of the rice crop produced was found to contain significant levels of arsenic, cadmium, and mercury. Many farmers in Taiwan now grow a

separate plot of organic foods for their family consumption in order to avoid the dangers of the food they produce for corporate agribusinesses.

In 1999 in Belgium, poultry farmers noticed sudden acute poisoning of their chickens; investigation showed that the chicken feed used had somehow become contaminated with the powerful carcinogen dioxin. In the UK in 2000, still reeling from the disastrous epidemic Mad Cow Disease/BSE and related CJD fatal to humans, there was an epidemic of classic swine fever, leading to the slaughter of tens of thousands of pigs.

We, “the public”, must grow fully cognizant of the frightening situation in which the globalized economic system has put us. Through their corporate lobbyists, costly (and often dishonest) advertising and their strong linkages with political decision-makers, the MNCs have worked solely for becoming rich. They have ignored environmental and ethical concerns. They have linked with the scientific community – pursuing an outdated reductionist molecular biological model – to do what is impossible in nature, namely to transfer genetic material across entire species or phyla. Added to the environmental destruction and pollution comes the new genetic pollution (cf. David Barboza, “Will Agbiotech’s Genetic Contamination Conquer the World?” New York Times, June 10, 2001). Fish genes are inserted in tomatoes; human genes in fish – without sound knowledge of the consequences. Trying to produce super-crops, humankind gets super-weeds.

Former US Vice-President Hubert Humphrey, discussing the nicely-named Food for Peace program, noted how the program would help the US advance its foreign policy objectives: “If you are looking for a way to get people to lean on you and to be dependent on you, in terms of their cooperation with you, it seems to me that food dependence would be terrific.” Terrific for the food-supplier, but not so terrific for the food-dependent recipients. With corporate globalization and its agribusiness wing controlling more and more of our essential basic food supply, we all – the public – are becoming more and more dependent and enslaved.

4.3. A Divided World

“Economic inequality especially that between developed and developing nations, remains the greatest source of suffering on this planet.”

– His Holiness the Dalai Lama

The Political Economy opening our new millennium has created a divided world for us. The haves and have-nots, the wealthy and poor, the first world and the third world, the North and the South, the globalized and the local, the law-abiding and the terrorists...the unity of humankind remains as much a distant dream as it has ever been.

One man in Mexico has assets equal to the annual income of 17 million. 98% deaths of under five year old children occur in the Third World; one-third children in the Third World are malnourished, physically stunted. The African-American population had 0.5% of the net worth of the US economy in 1865; in 1990, they had 1.0%.

The number of people in the world who are overweight is now equal to the number of hungry. In 1960, the richest fifth of the global population had 30 times the income of the poorest fifth. By 1997, the gap more than doubled, with the richest fifth receiving 74 times more than the poorest fifth.⁵⁵

The longest continuous economic expansion in America's history (1992-2001) mainly benefited the wealthy, causing the country's rich-poor gap to widen. In 1990, the wealthiest fifth of Americans received 46.6% share of national income while the poorest fifth got 3.9%. By 2000, the wealthiest fifth were receiving 49.7% income compared to 3.6% for the poorest fifth.⁵⁶

In Australia, from 1976-1992, the proportion of households with incomes of more than \$ 72,000 (constant 1991-1992 values) rose from 15% to 30%. At the same time, the proportion of households with incomes of less than \$22,000 rose from 20% to 30%. Defining the middle class as those with incomes between \$22,000 and \$72,000, we can say the middle class shrunk from 65% households in 1976 to 40% households in 1992.⁵⁷

In Israel, the 2000 per capita GDP was \$ 18,900. In the West Bank, it was \$ 1,500. And in the Gaza Strip, it was \$ 1,000.

This growing inequality is everywhere among nations of the world and between wealthy and poor nations. Thabo Mbeki, President of South Africa, speaking at the Oliver Tambo Memorial inaugural lecture at Georgetown University on May 23, 2000 made an impassioned plea to rich countries to help poor nations like his own, struggling in an "ocean of entrenched poverty". He urged wealthy nations to hear "the cries of the poor." Mbeki said that the scale and extent of poverty in Africa was so enormous that, in 1999, the Commonwealth Heads of Government called global poverty a structural fault in the world economy.⁵⁸

5. REACTION TO THE CORPORATE-GLOBALIZED-ECONOMY

Seattle, USA, December 3, 1999 symbolically began the reaction against the process of globalization and the exclusive capitalist economic system which has since been blossoming into a worldwide movement. 40,000 demonstrators at the World Trade Organization (WTO) conference destroyed the myth that globalization as a worldwide capitalist economic system was inevitable.

At the IMF and World Bank meeting in Washington D.C. on April 16, 2000 another 20,000 demonstrators showed their opposition to development colonialism. In Millau, France on June 30, 2000, another 40,000 people paraded in support of the anti-globalization activist and sheep farmer, Jose Bove. 50,000 demonstrators again expressed their displeasure with the way their world and lives were being managed at the European Summit in Nice, France on December 6-7, 2000.

Returning to North America, 30,000 demonstrators in Quebec, Canada made their presence felt at the Americas Summit on April 22, 2001. The tempo increased for the July 20-22, 2001 G8 meeting in Genoa, Italy. 200,000 demonstrators showed that they knew it was the economic system of wealthy countries which was the main cause of blame for their frustrations. The response of killing a demonstrator and police brutalization of helpless prisoners gave an insight into the world of the proprietors of this economic system. The European Summit in Brussels, Belgium on December 13-15, 2001 gave proof that the "movement" was growing with 100,000 demonstrators, doubling the number voicing dissent the previous December in Nice.

30,000 demonstrators braved the New York City, USA frigid winter conditions for the January 31-February 4, 2002 World Economic Forum. At the same time, 50,000 were present in Porto Alegre, Brazil for the January 31-February 5 World Social Forum. March 15-16, 2002 showed a tripling of interests in this year's European Summit with a massive 300,000 demonstrators in Barcelona, Spain. While the European Social Forum of November 9, 2002 in Florence, Italy

drew a modest 50,000 demonstrators, numbers again reached close to 300,000 when they were joined by demonstrators against a foreseen war against Iraq.

The hope of the corporate globalization leaders and their political allies that the demonstrators would wear themselves out and return to the comfort of “bread and circuses” in front of their television sets was shattered by the millions who marched across Europe in the 2003 traditional May Day demonstrations. Germany alone witnessed a million marchers, doubling numbers of the previous year. The trade unionists and laborers were now joined by the young anti-globalization, anti-capitalism force. Iraq helped to bring additional large numbers, whose consciences were stunned by the blatant imperialistic actions of the so-called “coalition”.

The strong, consistent public reaction to the form of globalized economy which is benefiting a small elite, which is destroying the environment and which is fully controlled by the elite with no voice for the majority of world citizens has begun producing noticeable impact on the economic system itself.

“Foreign stock purchases came down drastically from about US \$ 50 billion in 2000 to about US \$ 18 billion. Value of cross border mergers significantly came down from about US \$ 1.3 trillion in 2000 to about US \$ 620 billion in 2001. Foreign Direct Investment in terms of inflow also came down by nearly US \$ 530 billion between 2000 and 2001. Import volumes in global terms also shrunk. All these pointed not only to areas of uncertainty but also the possibility that something might be wrong in this paradise of globalization.”⁵⁹

Besides the impact on the economic system created by the strong public opposition to the present economic system, there are individual actions bringing renewed inspiration to the forces for change. The 2003 magnificent 13 million strong general strike by Italian workers, which paralyzed Italy and struck a blow against Berlusconi’s anti-working-class policies, was part of the encouragement for the massive European May Day turnouts. The battle has not been won, but the struggle is in progress.

The West has been identified by the non-West as its enemy. Hernando de Soto says:

“Capitalism is viewed outside the west with increasing hostility, as an apartheid regime most cannot enter. There is a growing sense, even among some elites, that if they have to depend solely and forever on the kindness of outside capital, they will never be productive players in the global capitalist game. They are increasingly frustrated at not being masters of their own fate.”⁶⁰

Many in the non-West are putting together the words capitalism, globalization and imperialism. Egypt’s consultative upper house warned the government “not to be deceived any longer by calls for capitalism and gobalization.”⁶¹ Joseph Stiglitz says: “The critics of globalization accuse Western countries of hypocrisy, and the critics are right.”⁶² Arturo Escobar says: “The impact of the World Bank goes well beyond the economic aspects. This institution should be seen as an agent of economic and cultural imperialism at the service of the global elite.”⁶³

At the meeting of the Asian Social Forum in Hyderabad, India in February 2003, speakers insisted that a united Southern front to fight “imperialist globalization” was the need of the hour. Professor Bello of the Philippines went to the extent of suggested that “the current global capitalist paradigm was in crisis and that it was time to embrace a new vision.” Participants

blamed the IMF and World Bank for lacking “a hurt and a soul”; they insisted that these institutions should not be reformed but should be eliminated.

A Bangladeshi poet, writing on April 4, 2003 about the massacre in Iraq said:

“Give me my weapons!...
Do not think I am powerless
In the face of the capitalism and imperialism of the west...
I can still feed you the deadly poison
Burning in the breast of Kasim...
And then down will come all the ‘minar’ pillars
Of your Western civilization....”⁶⁴

6. BRINGING MORALITY BACK

“Without equity, we will not have stability. Without a better sense of social justice, our cities will not be safe, and our societies will not be stable. Without inclusion, too many of us will be condemned to live separate, armed, and frightened lives.”

– James Wolfensohn, World Bank President

“The trouble with the world is that the stupid are cocksure and the intelligent full of doubt.”

– Bertrand Russell, Nobel Laureate, Philosopher and Mathematician

“[The inevitability that only the transnational corporations and the already super-rich will gain from globalization...] is obviously temporary and unsustainable. Even for the biggest ‘winners’, it will be like ‘winning at poker on the Titanic.’”

– James Goldsmith, World Financier

In 1986, Union Carbide’s chemical plant in Bhopal, India accidentally released methyl isocyanate into the air, injuring about 200,000 people and killing more than 6,000. Another 10,000 died later from their injuries. Warren M. Anderson, chair of the board of Union Carbide was so disturbed by the tragedy that he informed the media that he would spend the rest of his life working to resolve the problem his company caused and to make reparations for the human suffering created. However, in an interview with *Business Week* a year later, Mr. Anderson was quoted as saying that he “overreacted” and he was now ready to lead his company in its legal fight against paying damages and reparations. Jerry Mander, in an article “The Rules of Corporate Behavior” interprets Mr. Anderson’s change of heart in the following way:

“What happened? Very simply, Mr. Anderson, at first reacted as a human being. Later he realized (and perhaps was pressed to realize) that this reaction was inappropriate for a chair of the board of a company whose obligations are not to the poor victims of Bhopal but to shareholders; that is, to its profit picture. If Mr. Anderson had persisted in expressing his personal feelings or acknowledging the company’s culpability, he certainly would have been fired.”⁶⁵

Lawrence Summers, while he was the Chief Economist at the World Bank in the 1990s, wrote a private memorandum to some colleagues, making a logical case for the dumping of toxic wastes of the developed countries in poor countries. He argued that the costs of health-impairing pollution could be measured by the earnings of workers lost due to increased morbidity and mortality. As wage rates were much lower in poor countries, the economic costs of more

pollution there would be much less than the economic benefits of lessened pollution in developed countries.

Besides, concern over a polluting agent that causes cancer would be much higher in developed countries where people enjoy much higher longevity. Through the payment of enough compensation, such an arrangement between rich and poor countries could thus be made mutually beneficial. The memo was leaked and published by the *Economist* (February 8, 1992). The incredible accounting frauds involving giant US corporations such as Enron and WorldCom led to the loss of billions of dollars worth of investment by ordinary shareholders. They again revealed the ethical bankruptcy of corporate globalization.

Bhopal, the Lawrence Summers memo and the frauds demonstrate that the economic system continues to be only “the science of becoming rich” and still has not seriously considered adding John Ruskin’s single word to make it “the science of becoming rich justly.”

The bringing of morality back into economics and politics is absolutely essential if our divided world is to be united. As Frantz Fanon, in his 1963 classic *The Wretched of the Earth*, said, “As we see it, a program is necessary for a government which really wants to free the people politically and socially. There must be an economic program; there must also be a doctrine concerning the division of wealth and social relations. In fact, there must be an idea of man and of the future of humanity.”⁶⁶

M.K. Gandhi maintained that spiritual values should not be separated from politics, economics, agriculture, education, and all other activities of daily life. For him, there was no conflict between the spiritual and the material. Rather the separation was destructive of human relations.

Wendell Berry fears that the present direction of the world as manipulated by supranational corporations, governments and educational systems which serve them is leading towards a world which will be without agriculture, democracy, religion and nature – in short, it will be a post-human world, in the sense of being contrary to the best we have meant by humanity. He senses that a political force or party is developing – though still not well-organized – having potential great human resources and creativity. He calls this political force “the party of community” and places it in opposition to the “parties of globalization”.⁶⁷

Together with the inspirational proposals for solutions to the world’s dilemma of thinkers such as Fanon, Gandhi, and Berry, many are presenting and experimenting with practical programs for changing the direction of today’s Political-Economy. A movement for structuring agriculture as a local community venture has often been combined with the structuring of various community services and local financing systems. On a much larger scale, is the movement to re-structure the present finance systems, to have individual nations and their governments reclaim the right to create their own money and to use it creatively for building up one’s own society and for distributing wealth through widespread, even universal, capital ownership systems.⁶⁸

Others have proposed the need for redistributing wealth. Over four decades ago, the UN had proposed that developed countries should give 0.7% of their GDP to help poorer countries rise out of poverty. Unfortunately, only a few have ever reached the target, with the biggest economies lagging furthest behind. The annual assistance has not even averaged one-third of the UN’s target. Fanon had also said in 1963: “What counts today, the question which is looming on the horizon, is the need for a redistribution of wealth. Humanity must reply to this question, or be shaken to pieces by it.”⁶⁹ Stiglitz and many others emphasize that new fair trade practices by Western countries would be a major step for allowing the Third World countries to uplift

themselves. While annual aid totals \$ 50 billion, developed countries profit from the poor, mainly through unfair trade practices and interest on indebtedness to the tune of \$ 500 billion per year.

Vandana Shiva maintains that resistance to biopiracy is both a fight against the ultimate colonization of life itself, including future evolution as well as a fight against the elimination of non-Western traditions of relating to and knowing nature. “It is a struggle to conserve both cultural and biological diversity.”⁷⁰ She has not only organized against the patenting of indigenous life forms and Intellectual Property Rights (IPRs), but has set up farmers organizations in India, which maintain their own seed banks, in contrast to the MNCs, sharing nature’s wealth with each other.

Often it is the misinterpretation of history which promotes false beliefs and provides support for the wrong causes. The West and particularly the US and MNCs have claimed that their form of neo-liberal capitalism has been successful in the struggle with the socialist model. However, David Korten persuasively disputes their claim. Korten contends that it was an economic model of democratic pluralism in the US – far different from the present corporate globalization model now over-running the world – which gave success in the competition with the socialist economic model.

The 1920s in the US very closely resembled the neo-liberal economic model; it was this which led to the financial crash of 1929. The result was greater government involvement in economic affairs for ensuring public welfare and protecting the rights of people against the power of money. The new democratic pluralism, practiced at this time in the US, brought about a massive shift in wealth distribution in the direction of greater equity.

In 1929 there had been 20,000 millionaires in the US and 2 billionaires. By 1944 there were only 13,000 millionaires and no billionaires. The share of wealth held by the top 0.5% of US households fell from a high of 32.4% in 1929 to 19.3% in 1949.

In the post-World War II world, the US had strong unions, with the government continuing to remain firm in preventing an elite from exploiting the majority. Western Europe followed similar economic patterns, with many countries calling themselves “social democracies.” The Western triumph over socialism was, therefore, not one of success by the present extremist and elitist capitalist system, but rather was a victory for the moderate democratic pluralist model.⁷¹

The democratic pluralism, practiced throughout much of the West after 1929 till corporate globalization became dominant (especially after 1989), produced a more just and united society in Western countries and allowed the West to overcome the socialist-communist challenge. From the 1950s, another model began to be implemented in the Basque Country of Spain. It took shape as a corporation based upon cooperative principles and has become a model of “becoming rich justly”, deserving special study and attention by the international community.

7. WHAT IS MONDRAGON TODAY?⁷²

“This task is impossible unless there is still left in the mass of men a sufficient desire for economic independence to urge them towards its attainment. You can give political independence by a stroke of a pen, you can declare slaves to be free or give the vote to men who hitherto have had no vote; but you cannot give property to men or families as a permanent possession unless they desire economic freedom sufficiently to undertake its burdens.”

– Hilaire Belloc, *The Crisis of Our Civilization*; (London: Cassel & Co., 1937), p. 205

Mondragon Corporacion Cooperativa/Mondragon Cooperative Corporation (MCC) is a massive unity of about 160 autonomous but closely joined firms. It includes industrial, civil engineering, retail, service, financial and support cooperatives. Employment has increased over the past five years from about 34,400 to 60,000; this is a region where unemployment over the past quarter century has grown from about 10% to 25%.

Annual sales are now about \$6.5 billion, of which about 46% are from manufacturing cooperatives and 54% from retail cooperatives. About half of all output is exported. MCC is now the largest business group in the Basque Country, seventh largest in Spain. It is a major competitor in the European and global markets, with a few dozen overseas business subsidiaries in such diverse countries as China, Thailand, Morocco, and Mexico.

7.1. The Man and the Ideas Which Made Mondragon

Mondragon, a small mountain-surrounded Basque town, in the early 1950s was the place of assignment for a Catholic priest named Jose Maria Arizmendiarieta (written in this paper as JMA). The Basque community had been on the losing side in the Spanish Civil War. They were in a period they later referred to as “the hungry years”. JMA wanted to truly serve his people and help them rebuild their local economy.

JMA knew much of both Catholic and secular social theory and practice. Pope Leo XIII’s 1891 *De Rerum Novarum* and Pius XI’s 1931 *Quadragesimo Anno* were an inspiration for him. He was familiar with many traditions including Christian socialism, guild socialism, social democracy, Raiffeisenian credit unionism, Rochdale cooperativism and, very especially, with the distributist theories promoted by Hilaire Belloc of England and his friend G.K. Chesterton.

Belloc and Chesterton wanted “a society of owners”. A much more widespread distribution of property only could lead to a more just social order. Ownership of the means of production, distribution and exchange all were necessary.

JMA maintained that labor should hire capital enabling workers to become owners of their workplaces and in control of their lives and futures. Work was not simply to earn money but provided the worker with identity, self-esteem and the chance to participate in civil society. Employment should be universal. To change the widespread destitution around him for many and quickly and to provide for the human dignity of his people, JMA saw that only a cooperative model, self-managed, functioning democratically and in a spirit of solidarity could effectively respond to the situation.

JMA, then, brought to his people a methodology and organization founded on three very basic principles as follows:

- i. Only work and property, not consumption and savings, were central to people’s lives and could be foundations for a sustainable just society.
- ii. A principle of subsidiarity had to be maintained, wherein a higher body shouldn’t assume functions on behalf of a lower body which is able to perform them for itself. Pius XI had written:

“Just as it is wrong to withdraw from the individual and commit to the community at large what private enterprise and industry can accomplish, so, too, it is an injustice, a grave evil and disturbance of right order for a larger and higher organization to arrogate to itself functions which can be performed efficiently by smaller and lower bodies.”⁷³

- iii. The principle of “equilibrio” or balance should guide our interaction with each other and our cooperative decisions. Specifically, interests and needs, social objectives and technological imperatives, the financial needs of a firm and the economic needs of the members should be determined in “equilibrio”.

7.2. The Structures Which Made the Mondragon Cooperatives

From the first cooperative, begun in the town of Mondragon in 1956 till the formation of the Mondragon Cooperative Corporation (MCC) in 1991, there was a 35-year history of ingenuity and creativity in creating structures which would reflect the ideas, principles and aspirations of JMA and the Basque people. In early stages of the cooperative movement growth, strong local cooperatives were bolstered by over-arching coordinating systems/structures. Till 1991, the cooperatives were grouped together geographically; with the establishment of MCC they were reorganized on a functional basis. Due to the increased size of the Mondragon movement and the need to respond to a more global environment, the MCC structure was no doubt an important and necessary action to keep the movement from disintegrating.

However, in the history of Mondragon, an even more valuable organizational step was taken in the early 1960s when the Caja Laboral Popular (CLP)/People’s Labor Bank was initiated. JMA’s insistence that cooperatives be financed through debt and not equity – that is, members lending money to their own workplaces through individual capital accounts and credit union savings – kept them free from issuing shares (and risking possible demutualisers) and free from banks and other financial intermediaries (cf. letter of W.F. White to R. Mathews of 7 August, 1999).

Establishment of the Empresarial/Entrepreneurship Division of the CLP was likewise a most significant foundational step in promoting the Mondragon cooperative movement. It has especially helped to “grow” new cooperatives into the movement. Whereas in the Basque country in general 92% new businesses fail within 10 years, in the Mondragon movement less than 10% fail. An experienced mentor is provided to guide groups wanting to establish cooperatives. Help is given to prepare business plans and loan applications. Mentors remain with the new cooperatives to help them start and operate their new businesses.

There are many other systems and structures which support this special cooperative movement, including a social insurance cooperative, industrial research and development cooperatives and technological input from a local university. Regular and comprehensive reporting to CLP also provides for close monitoring of cooperatives and timely action to resolve difficulties.

7.3. Problems that Trouble the Mondragon Cooperative Movement

No doubt the greatest present problem of MCC is the loss of the cooperative spirit that was so essential to its origin. On the one hand, many recent members joined the movement, looking only for benefits, especially job security. They gave little thought to the commitment and responsibilities required for strengthening the cooperative spirit and movement. For example, in the first years of the movement, partners’ assemblies were held outside the work timetable, on the workers free time. However, in recent years, to get workers to attend these assemblies requires their scheduling within the workday; otherwise most workers would not attend.

On the other hand, there is worker dissatisfaction among many members of the cooperatives, who feel they do not have a voice in the operation of their own cooperative. In theory, all the cooperatives are supposed to be participatory and democratic. However, various research has shown that cooperative members on the workfloors are not experiencing things in this way. A typical comment is: “If you saw a piece of scrap on the floor, you picked it up because it was worth a duro (a five peseta coin). Today, you give it a boot, because today the cooperative doesn’t belong to all of us.”⁷⁴

Another typical comment is: “...Power is found above...although they say in the cooperatives we are all equal, it is not true, because I am here, below.”⁷⁵

From the research report on this worker dissatisfaction, it is clear that there is no strong “ownership culture” among the cooperative workers. Immediate steps must be taken to resolve the problem. The Justice Based Management (JBM) education and training system for developing a worker ownership culture, formulated and promoted by the Center for Economic and Social Justice (CESJ) in Washington DC, USA could very well help resolve this basic problem.

A second problem has been noted by various observers,⁷⁶ namely that the creativity which earlier characterized the Mondragon movement seems to have faded out. Now there is “substantial borrowing of concepts from the experiences of non-cooperative multinational corporations.” This problem seems interrelated with the breakdown in worker participation and frustration. If the former problem can be resolved, the traditional Mondragon creativity will be able to revive and help respond to new situations.

A third problem is the failure to promote ownership and a cooperative spirit in the many overseas ventures of MCC. The entrepreneurial expansion of MCC has followed more the logic of the traditional corporate-capitalist system than its own cooperative philosophy. The excuse that changing the mentality of workers in other places is too difficult or not possible is a rejection of Mondragon as a model. To be a model, it must be replicable. As mentioned for re-creating a participatory/democratic spirit among present cooperative members, the Justice Based Management system of CESJ is certainly a model which MCC ought to review. In any case, any further delay to resolve this problem represents a betrayal of the spirit of JMA and the original Mondragon.

Nevertheless, in some ways MCC has been faithful to its tradition in extending its model, though it moves at a slower pace, guiding Third World CEPs (see the section below: “An Effective Cooperation”). In Spain, the original cooperatives began as small ones and gradually grew to medium or large size. Even in Spain, for new groups of workers in existing factories joining MCC, there is great difficulty to change the mentality of workers. In any case, there is a double and contradictory presence of MCC abroad – both new, small local cooperatives which are supported and medium or large corporations, which function under MCC according to capitalist logic.

A fourth and final problem which stands out is the very limited international sharing and interaction by Mondragon with other efforts to promote worker ownership, to democratize capital. Not only could Mondragon help influence favorably such efforts elsewhere, with its extensive practical experience and creative theoretical and structural heritage, but it could be greatly enriched by other related efforts.

7.4. Reasons for Mondragon’s Success

The most important reason for the overall success of the Mondragon movement relates to its ability to adapt to local situations, as it has done originally in the Basque Country. Both the characteristics of the Basque people and their political-economic situation in the second half of the 20th century have determined the manner in which the seed planted by JMA has grown and developed. In the Basque Country, a rigid philosophy was not followed, but strict principles and values have been maintained.

JMA may not have given a specific name to the philosophy which inspired the Mondragon movement, but he has been the creative leader who guided its foundation and early development. Race Mathews suggests that the philosophy be called an “evolved distributism”. Perhaps, a convergence of mutualism and distributism would be more appropriate.

The distributist philosophy has provided the governance system and ownership benefits. In Mondragon, cooperative members have property of four kinds:

- Ownership of their jobs.
- Direct personal ownership of the balances held for them in individual capital accounts (they have regular access to the interest).
- A shared ownership of the assets of their cooperative, such as buildings, equipment and financial reserves – for whose governance and management they are responsible.
- Shared ownership of the unique system of secondary support cooperatives.

The philosophy of mutualism has led to the system of support cooperatives which have been a key for Mondragon’s overall success. The spirit of solidarity, as exemplified in the Entrepreneurship Division of CLP, is in direct opposition to the cut-throat competitive spirit of multinational corporations in the global economy.

Race Mathews has summarized beautifully the meaning and value of Mondragon for the world:

(MCC) – “ ... provides an object lesson in the uses of employee ownership to create jobs, drive regional economic development, facilitate entrepreneurship and empower workers to assume control of their workplaces and the wealth created by their labour. It demonstrates conclusively the feasibility of labour hiring capital instead of capital labour. It demonstrates how social and economic objectives within firms and between them and the wider community can be harmonised with one another.”⁷⁷

7.5. Mondragon Versus Corporate Globalization

How can we claim that Mondragon offers the world an alternative to the economic system promoted by corporate globalization? Firstly, it provides a vision about the individual and society, the vision of JMA, founder of the Mondragon cooperative movement. Secondly, it provides an organizational model, that of the Mondragon Cooperative Corporation (MCC) which, with its ten Basic Principles, has successfully stood the test of time and the challenges of a cut-throat corporate world. Thirdly, Mondragon has developed effective cooperation with others, channeled through organizations such as Prodeso and Mundukide. Certainly, the potential of Mondragon for the Third World in particular, but the entire world in general, is much more promising and hope-filled than the present devastating corporate globalization model.

7.6. The Vision of Jose Maria Arizmendiarieta (JMA)

Jose Maria Arizmendiarieta (JMA) was formed in a Christian and humanistic environment. During his training for the priesthood, he was particularly attracted by the works of the French religious philosophers J. Maritain and E. Mournier. The model of man as an individual, which he developed, was truly unique. Just as each of us develops our own understanding of human nature, so also did JMA.

One of the best known models of the nature of individuals is the “X-Y” theory of McGregor, used as a classic framework for understanding the diversity of people. A summary of this theory might look as follows:

...prefer inactivity to activity	...prefer activity to inactivity
...work, in general, for economical rewards and reasons of status	...work, in general, for the satisfaction of the job in itself and the pride of working
...keep themselves to their duties afraid they may be laid off or demoted	...keep themselves to their duties driven by the desire of reaching their personal and social goals.
...prefer not to assume responsibilities.	...like to assume responsibilities.
...depend on their leaders, prefer not to think for themselves and to be told what to do.	...aspire to their independence and don't like to be told what to do.
...need specific instructions about what needs to be done and how	...need to get the meaning of the activities they work for and prefer to think through their own working methods.
...avoid confronting situations that represent an additional effort in their lives or their work. They have a tendency to the minimum effort.	...like to confront personal and professional challenges, even when these may represent an additional effort on their part.
... don't care too much about those aspects that do not have much to do with their immediate material interests.	...need to give sense to their life by identifying themselves with ideals, people with whom they have a connection, communities, countries, etc.
...have a tendency towards selfishness and thinking only about themselves.	...have a tendency towards altruism and cooperation.
...they fight against change; they prefer to go along a known path	...get tired of routine and prefer to enjoy new experiences.

McGregor's theory is an example how individuals think of themselves, how they understand and classify others. McGregor, like many social thinkers, emphasizes that individuals often respond according to the expectations others have of them. JMA begins his picture of man by saying: “What is man? An imperfect being. An improbable being. A being whose destiny is not to contemplate but rather to transform. To transform itself by transforming whatever is surrounding him/it.”⁷⁸

The individual is a being capable of developing in all dimensions. JMA, as cooperative promoter, is responding to this objective through every activity he organizes. “The most important aim of a cooperative is not to make a (greater) number of wealthy self-satisfied people, but to make individuals in every meaning of the word. A cooperative's mission is to see and oversee everything human in all its dimensions.”⁷⁹

The dimensions of the individual, which JMA feels need to be developed, are as follows:

- That she be free and autonomous.
- That she be aware of her dignity as a human.
- That she be responsible for her activities.
- She should become capable and competent.

- She should embrace solidarity and have a sense of justice.
- The individual should be able to sacrifice, to accept some austerity in life.
- She should be open to spiritual matters.
- There should be idealism, even a utopian spirit, unsatisfied with the imperfections in life and desiring to improve them.
- There should be an entrepreneurial mentality.
- Finally, there should be a sense of being part of a community (cooperative).

Before leaving the question of JMA's vision of the individual, let us look at how it might apply in a Third World context. Firstly, we are not looking only at material development. In the book City of Joy, there is a dialogue between an American doctor who is working in a Calcutta slum and his father, a millionaire who has come to visit him and try to convince him to return to his own country. During their dialogue, the father suddenly suggests that he could buy the slum, rebuild it, providing sewage, water, electricity and all modern conveniences; he would then relocate everyone now in the neighborhood free of cost. His son shocks him by telling him that such would not be a solution at all, rather it would leave the slum inhabitants even more abandoned. "I have even discovered a curious truth. In a slum it is preferable to have an exploiter than a Santa Claus. One feels an obligation to react to an exploiter. On the contrary, a Santa Claus paralyzes you."

The solution, rather, comes from working from the human base, educating and developing people. It may be a slower process, but it will be more efficient in the long run. Also, in considering how the Mondragon human model of JMA could be applied to the Third World and elsewhere, JMA might propose a three stage system for international cooperation. Firstly, material cooperation – provide them with fish by sharing our fish. Secondly, teaching them how to fish, sharing our knowledge, giving them both technology and technical education. Thirdly, teaching them to share both their fish and new knowledge they have received. Actually, we learn from the poor that they, more than anyone, understand about sharing. People from the Third World have much to teach people of the First World in this matter. We ought to maintain an attitude of solidarity, contributing materially for the progress of the Third World, not lecturing on generosity.

JMA's human model emphasizes that the individual is the primary recipient of every action of ours. The best we can do, then, for individuals of the Third World is not merely to satisfy their material needs but to help them develop in every human dimension. This translates into helping others to be more free, responsible, aware of solidarity, spiritual, idealistic, entrepreneurial, self-sacrificing, able to accept austerity, and so forth. JMA frequently used to say: "It is more important to be than to have." He was stating what later would be declared in church teachings, examples of which are presented below:

"Human activity, to be sure, takes its significance from its relationship to man. Just as it proceeds from man, so it is ordered toward man. For when a man works he not only alters things and society, he develops himself as well. He learns much, he cultivates his resources, he goes outside of himself and beyond himself. Rightly understood this kind of growth is of greater value than any external riches which can be garnered. **A man is more precious for what he is than for what he has.** Similarly, all that men do to obtain greater justice, wider brotherhood, a more humane disposition of social relationships has greater worth than technical advances. For these advances can supply the material for human progress, but of themselves alone they can never actually bring it about."

– Vatican Council II – Gaudium et Spes, 35

“Neither individuals nor nations should regard the possession of more and more goods as the ultimate objective. Every kind of progress is a two-edged sword. It is necessary if man is to grow as a human being; yet it can also enslave him, if he comes to regard it as the supreme good and cannot look beyond it. When this happens, men harden their hearts, shut out others from their minds and gather together solely for reasons of self-interest rather than out of friendship; dissension and disunity follow soon after.

“Thus **the exclusive pursuit of material possessions prevents man’s growth as a human being** and stands in opposition to his true grandeur. Avarice, in individuals and in nations, is the most obvious form of stultified moral development.”
– Paul VI – *Populorum Progressio*, 19

“At the same time, however, the “economic” concept itself, linked to the word development, has entered into crisis. In fact there is a better understanding today that the mere accumulation of goods and services, even for the benefit of the majority, is not enough for the realization of human happiness. (...)

“**To ‘have’ objects and goods does not in itself perfect the human subject, unless it contributes to the maturing and enrichment of that subject’s ‘being,’** that is to say unless it contributes to the realization of the human vocation as such.”
– John Paul II – *Sollicitudo Rei Socialis*, 28

Before thinking to set up cooperatives, are most teach corporatists. Thus who are to be directly involved, who will be the agents of development must be formed to have cooperative mentalities. JMA said it succinctly: “Do not attempt to do cooperatives without cooperativists.”⁸⁰ Education and training are the basic tools for forming individuals into cooperativists and for improving their professional capabilities.

Sometimes we hear statements like: “It is sad that Third World children have to work, but they must support their families.” Those who think that it is better for a child to work than go to school are condemning that child and the child’s country to underdevelopment.

“In order to build up this kind of society it will be necessary to start with the promotion of responsible citizens, which means knowledgeable and free. And to do so we have to start by considering as such all those who we want to work with us.”⁸¹ to help cultivate model persons for our work, we must ourselves work to become similar models. Those working in development institutions must demonstrate the qualities and values which they promote – freedom, competency, idealism, spirituality, an entrepreneurial spirit, readiness to sacrifice and the like.

It is universally recognized that the “Mondragon model” would have been impossible without the charisma, personality and leadership of JMA. People such as him are required for helping us change mentality and forge a new society. Leaders play a decisive role in development. It is not possible to “act the part”; it is necessary to search out those with such leadership and to support them.

Even when JMA is at his best as a dreamer, dreaming of the new man and of a new social order, he is profoundly realistic about his fellow human beings. He pushes for rounded personal development, because he is convinced that we are capable of achieving it. And he is not satisfied with anything less! At the same time, he is conscious of the innate tendencies which condition us,

slow us down and impede our development. Similarly, in relating to the people of the Third World, we must progress from capacity for development to the possibility of achieving it.

7.6.1. A Model for Society: “The New Order”

“We need to recognize that we have not adopted cooperation as a camouflage to hide a capitalist spirit, specifically to create new bourgeois “clubs” without bothering about those that are also men and children of God and that deserve our collaboration.”⁸²

JMA, although he acts locally, thinks globally. The goal of his cooperative work is not to expand his territory, but to plant the seed of a “new order”. The development of this model therefore becomes an obligation for cooperatives, a necessity that forms part of their reason for being.

The “new order” is a consequence of the human values from which it stems. We are talking about a society that

- is aware of its freedoms and dignity
- cares for its identity and is caring with its surroundings
- participates, is democratic and is internally bound
- is joined with those afar, even though it represents sacrifice
- is open to human spirituality and shared ideals
- is capable and competent in its organization and technical ability.

(In this respect, JMA’s view coincides with the most recent UN report on development: there is a proven link between development and democracy).

As well as the form of the individual’s being, JMA has a model of legitimate society valid for the Third World. It’s something that is already familiar to us : it is not enough to develop individuals without developing society’s structure. The change in consciousness must be accompanied by structural change.

7.7. An Organizational Model: The MCC Model and Its Key Principles

This “model person” and new order were crystallized in Mondragon in an organizational business model that was unquestionably successful. For over 50 years the Mondragon cooperative system has been creating jobs, spreading wealth, contributing to the development of the region and becoming the focus of attention and interest for other businesses across the world.

It is worth mentioning that not all is sweetness and light in the practical implementation of the cooperative goals of the MCC. As we have pointed out in preceding sections, there are many aspects that could be improved, one of which is the grade of cooperative awareness among the partners. Fifty years after the birth of the first cooperatives and 25 years after the death of JMA, MCC is today a large corporation where the founding spirit is more present in certain structures than in the minds of the majority of the partners. But this supposes a recognition of the value of the structures. Due to the fact that at the time cooperative businesses were created that were linked to an ideal and furnished with specific working structures, today we can talk of a corporate reality like the MCC.

This ideal on which the organizational model is based is reflected in the 10 Basic Principles of the MCC:

1. Open admission

2. Democratic organization
3. Sovereignty of labor
4. Instrumental and subordinate nature of capital
5. Participatory management
6. Payment solidarity
7. Intercooperation
8. Social transformation
9. Universality
10. Education

7.7.1. Is the MCC Model Exportable?

How can these 10 principles contribute to the development of the Third World? Are they directly exportable? JMA warns us of an over-optimistic vision: “The cooperativism that interests us may trip over an insurmountable hurdle. It is not an appropriate formula for villages or groups with a low cultural and social level. It is more oriented towards areas that are socially and culturally developed.”⁸³

It is true that the cooperative model arose in specific circumstances – a place and a time – that made it all possible. It’s not even a model that can be transported to other areas nearby (even within Spain). Countries that are in development will encounter serious difficulties in “copying” the Mondragon model. It requires a socio-cultural model that favors the personal values that we have seen.

JMA recognized this reality and that in certain circumstances a type of “paternalism” was required. The quote is long, but its significance becomes clear only in full:

“Paternalism is a behavior that is completely normal in certain specific circumstances. We shouldn’t condemn it where there are those that need it. We should resist it where its presence implies a subordination of the will and deed of the individual. We have all benefited from paternalism from our own parents or guardians as well as other people that have intervened in our lives. (...) The radicalism of the cooperative concept requires a strong spirit, or at least people who are prepared to risk all to gain all. For this reason it isn’t a panacea for everyone. But the worst mistake of all would be to impose its obligations on those that are least able to meet them, in which case it would simply be impossible to reach higher levels. We should never conceive the cooperative formula as something of universal and indiscriminate application, on the one hand because of the diversity of areas of economic activity and on the other for the diversity of styles and dispositions of different people. In order to be able to address the good and intriguing contribution that cooperative forms can make to development, it does not need to be this way. We must admit the coexistence of capitalism and cooperation, as well as the usefulness of the many paternalistic formulas such as social assistance and social and educational promotion. What we ask for is that the substance of that action, consisting of the most diverse sources and styles, always moves to promote the potential of the individual, of his faculties, and therefore he is motivated to fully assume his responsibilities and to go for all his potential.”⁸⁴

Once again we reiterate the insistence of JMA in putting the individual at the center of activity in order to develop all of his capabilities and possibilities. If to achieve this we need to adopt “the most varied paternalistic formulas for social assistance” then so be it, but without ever losing that final objective.

Although the MCC organizational model may be of use only in specific socio-cultural situations – and even so with difficulty – and although certain forms of “paternalism” remain to this day the most efficient means to implement Third World development, can the Third World learn anything from this model? Despite the problems pointed out, our answer is absolutely positive.

There is no less need in the Third World than in the First for a vision of the individual and a new social order, as presented so inspirationally and practically by JMA. This vision may take on varying cultural and civilizational characteristics, differing from the vision developed in the Basque Country of Spain, but the principles and values are universal ones. Without such a creative new vision, the likelihood of development sliding into the same types of patterns which have generated the inequalities that exist in our globalized world today is almost certain.

7.7.2. Development Organizations in the Light of the MCC Basic Principles

To promote the type of organizational model created by JMA and the Mondragon movement, we have to consider the reality of our present model. We cannot aim to promote participative, democratic and equitable organizations within structures which are diametrically opposed to these qualities. Disappointingly, we find that even many charities and development agencies have lucrative and morally bankrupt practices, the very practices inspiring corporate globalization. Similarly, internal power struggles often prevent organizations from moving towards a model like Mondragon. At times, organizations limit themselves to collecting money from developed countries supposedly for redistribution to the Third World; but their ambition stalls at providing overpaid employment to their own members. Such institutions cannot be considered simply neutral, but actually contribute to making the situation worse by re-enforcing an unjust system. The mere distribution of wealth hardly has any impact, if it does not change people’s attitudes.

But when we put our emphasis on people, when we look for a change in the mentality of others, when we aim for the total development of individuals and communities, when what we want to do is *share the fish and the knowledge*, when we dream of a *new order*, only then is it more difficult for development organizations to fall into the same traps in which neo-liberal organizations fall. The risk is there and it is difficult to expect absolute integrity in this matter, but the fact of having an organizational model to which one can aspire and measure oneself by it is half the battle won.

7.8. An Effective Cooperation: The International Expansion of MCC

Globalization has made MCC enter into a new era and into a new stage of internationalization. MCC has investments in other countries, although no one of these enterprises is cooperative (MCC is the owner). Many of these factories have been purchased when they were already functioning as capitalist enterprises and it is not easy to transform them into cooperatives; this same problem exists in Spain when a capitalist enterprise has become a cooperative. The main obstacle is to change the mentality of the workers, now partners, accustomed to fight against the employer, trying to get from him more privileges. It’s really difficult to make workers understand that “now there is no employer but you, no owner but you.”

As we have already pointed out, MCC staff knows that one of the future challenges is to transform the MCC factories in the Third World into cooperatives, but it is not an easy task. There is the problem of the national cooperative laws in Third World countries, but, again, the main problem is a mentality issue. There is still a long way to walk. However, the first step has been taken.

7.8.1. Principles of MCC Cooperation

Despite the challenge described, we can already talk about an effective cooperation of MCC in order to expand its cooperative philosophy. Nowadays, MCC is involved in the expansion of cooperativism through some of its own institutions:

- MUNDUKIDE is a charity founded in 1999 by MCC and sustained by funds from MCC cooperatives, dedicated to the development of the Third World.
- Institute for Cooperative Studies, or LANKI, is linked to Mondragon University.
- Facultad de Humanidades y Ciencias de la Educación de Mondragon Unibertsitatea (HUHEZI)
- Other cooperative institutions.

Mondragon's cooperative efforts tend to center around what is called the Popular Economic Cooperatives (CEPS). These are born from the poverty in the Third World and linked to processes of social, ecological and cultural consciousness of the local people.

CEP cooperatives have specific characteristics that make them a potential field for cooperation:

- They are close to an autonomous mentality and an integrated strategy of development.
- They come out from popular initiatives
- They are oriented to the satisfaction of basic needs
- They are constituted upon the principle of solidarity
- The means of production are property of the workers
- Their structures are democratic
- They are integrated in a local territory, with close links to other social institutions
- They are key agents for local development

This cooperation is implemented in the following manner:

- Accompanying autonomous processes through exchange of knowledge
- Tending towards a long-term commitment as a strategy of cooperation
- Looking for a bi-directional exchange between the Basque cooperatives and the CEPs
- Promoting the participation of the main agents in the Third World
- Involving directly cooperative agents in the Basque Country; creating relations between those in the South with the people from MCC.

7.8.2. Concrete Cooperation Experiences

Integrated Rural Development:

Mundukide is working in a rural area in Mozambique called Marrupa. After the first year of establishing relationships, an Integrated Rural Development has been undertaken by Mundukide in Marrupa. Life expectancy there is 46 years and per capita income US \$90. Only one-third families have access to safe drinking water. 59% men and 28% women are literate. In the first year of work, local teams were formed, focusing on productive organization and resource management. The objectives for 2002 were:

- Open four medical centers

- Re-build the secondary school of Marrupa
- Build 20 kilometers of roads
- Create three micro-enterprises
- Create the management team

7.8.3. There are Cooperative Guidance Projects

The aim of these projects is to accompany, through a long-term relationship, socio-entrepreneurial processes maintained by the CEPs. An intense exchange of travel, contacts and exchange of information is necessary, along with close guidance through training activities and technical assistance. The final objective is to constitute autonomous cooperative enterprises.

At present, Mundukide is running two programs in rural areas in Colombia and Ecuador, helping the campesinos to establish their own cooperatives through technical and formative collaboration. Maybe the main challenge is to create cooperative conscience in the villagers, as well as the technical formation. Mundukide staff visit these projects as well as invite their leaders to come to Mondragon. Now, they are realizing the necessity of a permanent presence of Mundukide staff in the field, at least during the first years of experience. It is obvious that the work will require a long-term commitment.

A Community Development Experiences Exchange Program has been recently added. This program holds an intensive exchange of experiences between community development leaders from the CEPs and those with MCC co-operative experience.

“Truke programa” is a 30 days course held in Mondragon once a year in which rural leaders from Third World countries of Africa and America are invited. They visit the co-operatives in Mondragon and they study their philosophy and organization, as well as share their own experiences in their countries.

7.8.4. Initiatives related to Mondragon University have been linked to the development cooperation activities

The University of Mondragon is also involved in this co-operation through several departments and programs:

- *CEP Investigation Core (NICEP)*, a Center dedicated to investigate the complex world and needs of the CEPs, as well as to analyze the ways for exchanging knowledge between the CEPs and MCC.
- International Web of CEP’s connected organizations (*Red internacional de protagonistas de las Cooperativas de Economías Populares*) is a cybernetic web created to support the communication among the different cooperative agents.
- Practicals and Final Degree Projects at the end of the Course of Humanities-Business give students practical two months experience in CEPS as well as Final Projects focused on CEP cooperation.

8. Conclusion

Corporate globalization has its roots in classical economics, a science of becoming rich, divorced from morality. The result is proving to be an unmitigated disaster for our common human future. Farmers and laborers are being impoverished, human health is put at unnecessary and great risk,

our environment is destroyed, and the world is divided into poor and wealthy. Political and economic power is concentrated in the hands of a small elite, working only for self-aggrandizement.

A century and a half ago, John Ruskin recognized the evil inherent in a political economy without morality. Larger and larger numbers of ordinary people are also reacting against this system. Mondragon, in the Basque Country of Spain, has constructed a successful alternative to corporate globalization based upon the moral value of the human being and on the new social order which rises out of this system. The need of the hour is a support this alternative model, as well as other models, that can bring new hope to humankind.

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Notes

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