

Book Reviews

Lewis G. 1996, *People Before Profit: The Credit Union Movement in Australia*, Kent Town, South Australia, Wakefield Press.

When the ill-fated Australian Association of Co-operatives published Gary Lewis' *A Middle Way: Rochdale Co-operation in New South Wales 1859-1986* in 1992, it was clear that the Australian co-operative movement had found an historian whose professional skills were worthy of its achievements. Thanks to the far-sightedness of the Credit Union Services Corporation of Australia (CUSCAL), Lewis was subsequently commissioned to prepare a history of the Australian credit union movement on the occasion of the movement's half-centenary celebrations.

While the time available for the project did not permit as great a depth of analysis as Lewis is the first to admit he would have wished, his book, *People Before Profit: The Credit Movement in Australia* is a fine narrative account of how credit unions as we know them today have evolved. It is also a rich store of information which future students of the movement will be mining for years to come. If it raises more questions than it answers, that too has value, in that it provides an incentive for those who have at heart the well-being of the movement to reflect on its experiences, and tease out from them guidance for the years ahead.

Lewis sees the movement as having been characterised from an early stage by a division of opinion between "traditionalists" and "modernists". "Traditionalists", he writes, "emphasised humanitarian motives devolving on participatory, 'grass roots' principles centring on a close bond of association allowing a person's character to stand as collateral, permitting low cost, low risk loans and the inculcation of thrift. ... Credit unions existed to help people help themselves, particularly the disadvantaged, to 'uplift people', not to make profits in finance industries".

"Modernists", on the other hand, "believed that the credit unions usefully occupied a niche in the finance industry and needed to be managed professionally to survive and grow ... Participatory democracy, at the operational level, was 'amateurish' and could be an actual encumbrance to efficiency, threatening the overall success of the credit union movement and, therefore, members' interests".

There was a further, no less fundamental division of opinion between groupings within the movement which can be characterised as respectively "integrationist" and "exclusivist". In the

view of the integrationists, credit unions were an integral part of a wider co-operative or mutualist movement, whose core values - the "Rochdale principles" - required that co-operatives should co-operate with one another. The integrationist view in its purest form was exemplified by the Australian Antigonish Movement, which the late Father Jack Gallagher established in the early 1950s.

Drawing on the example of the movement of the same name at the Extension Department of the University of St Francis Xavier at Antigonish in Nova Scotia and its charismatic leaders Father Jimmy Tompkins and Father Moses Coady, followers of Father Gallagher strongly favoured the use of credit unions to drive the development of co-operatives of other kinds, such as, in the short term, housing co-operatives and consumer co-operatives in the Rochdale mould, and perhaps ultimately worker co-operatives. The Australian Antigonish Movement favoured smaller community credit unions over industrial credit unions, and believed that credit unions should strictly adhere to their common bonds.

The "exclusivists" argued to opposite effect that credit unions should stand apart from any movement other than their own, and that linkages with other co-operatives were undesirable and potentially damaging. The depth of the divisions was evident in the vigour with which each side misrepresented the other in the fracas which erupted around the introduction of amendments to the NSW Co-operation Act in 1963. Nor was either side averse to quoting the original Antigonish Movement in Nova Scotia to the disadvantage of the other.

For example, "It was never intended", the leading exclusivist of the day, the late Stan Arneil, wrote to MPs in the NSW Legislative Assembly in regard to Coady and Tompkins at the height of the debate, "that credit unions were to be formed to provide funds for other co-operatives. Father Gallagher has been deluding people and organisations over a period of years with the false surmise that credit unions are the financial arm of the co-operative movement".

A letter Arneil addressed to the NSW Premier of the day, Sir Robin Askin, reads in part "I have been to Antigonish the cradle of the Credit Union movement in Nova Scotia and have discussed the problem of Father Gallagher's strange teachings with Rev Dr McNeill the Head of the Extension Department of St Francis Xavier and with Mr Frank Glasgow the Manager of the Coady Institute attached to the University, for the purpose of training leaders from all over the free world in Credit Union and Co-operative work. Both gentlemen who are experts in their field are unable to understand the reasons for Father Gallagher's strange teachings and both stated that they

had been unable to dissuade him from his ridiculous leanings".

It is likely that Arneil was being - to say the least - disingenuous. Far from Gallagher being guilty of either "strange teachings" or "ridiculous leanings", or his followers being "deluded", they and their movement were closer in every way to the spirit and practice of the source of their inspiration in Nova Scotia than it was expedient for Arneil to allow.

Be this as it may, history was on the side of Arneil, albeit with long-term consequences which, had he lived to see them, he may well have deeply regretted. The regulatory framework which he and his associates championed in 1963 has evolved by stages into the Frankenstein monster of the financial institutions legislation of the early 1990s, which now threatens to destroy its creators by precluding the establishment of new credit unions and nudging current ones in the direction of mergers which reduce their responsiveness to local needs. The outcome in the short to medium term may well be that what was once a movement of more than a thousand small and modest sized credit unions will be replaced by a very few large credit unions, which in turn will demutualise and be taken over by the major banks.

What can now be seen to have been the final nail in the coffin of the Australian Antigonish Movement was hammered home in August 1994, when the Supreme Court of New South Wales disallowed an appeal by the directors of the Lidcombe Credit Union and its manager, Rose Gallagher - also Father Gallagher's sister - against a direction by the NSW Financial Institutions Commission (Fincom) that the credit union should "totally transfer its engagements to Punchbowl Credit Union Ltd" - ie, that the credit union should be closed.

Finding in Fincom's favour and dismissing the credit union's appeal, Sackville J. commented 'This case involves a clash of cultures':

The affairs of the Lidcombe Credit Union have been conducted in a part-time and volunteer basis using, it is not unfair to say, old-fashioned administrative techniques. Fincom seeks to implement a new statutory regulatory regime which imposes stringent requirements in the interests of depositors and the wider community. One can understand the feelings of those who have been associated with the credit union over a period of several decades when the regulatory agency, in effect, brings about its demise, even though the financial interests of members and borrowers are protected. But the task of this court is to determine whether FINCOM has exceeded its statutory powers, either by reason of alleged procedural unfairness or a failure to apply its powers in accordance with the legislative requirements.

What is clear in hindsight is that neither Arneil nor Gallagher was wholly correct. Lacking as the Australian Antigonish Movement did organisational insights and innovations such as were already enabling the Basque priest Arizmendiarieta to lay firm foundations for the future spectacular success of the Mondragon credit union and its affiliated manufacturing, retail, service and support co-operatives, there is little likelihood that its aspirations could have been fulfilled.

Equally, the insistence of the "exclusivists" that credit unions should both remain aloof from the wider co-operative and mutualist movements and pursue growth and managerialism as their overriding objectives to the detriment of member involvement and consciousness-raising was likewise destined to be self-defeating. Standing at a watershed as the movement now finds itself, it is also cut off from the grassroots sources of renewal which might otherwise be alerting it more effectively to the new needs which its members are experiencing, and enabling it to more effectively re-invent and re-position itself in response to them.

What the situation calls for - what is required to enable credit unions to regain their relevance and usher them into a new era of dynamic growth and service to their communities - is threefold. First, credit unions need to re-invent themselves as lenders for regional and local economic development like their great overseas counterparts, Canada's Desjardins credit union federation and the Caja Laboral Popular - the Mondragon credit union - in the Basque region of Spain. Secondly, the movement's peak body - the Credit Union Services Corporation of Australia - should back the involvement in regional development by delivering commercial risk assessment skills and enterprise support services on behalf of local credit unions. Thirdly, governments should ease the regulatory pressures which have largely prevented small new credit unions from being established for more than a decade, and are forcing current ones into mergers which make them less responsive to local needs.

Had Arneil and Gallagher only known it, their respective concepts of credit unionism needed one another. Neither was viable in the long run without the other. But for their inability to sink their differences and work together, the modern credit union movement might not now be troubled so profoundly by uncertainties about its future directions, and fears for its survival. The strength of Lewis' book is that it not only preserves the memory of these and other significant events which are in danger of being forgotten as the pioneers of the movement die out, but teases out from them lessons for the present which cry out eloquently and urgently for the movement's attention.

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