

# Book Reviews

## **Co-operatives and the Pursuit of Peace**

Edited by Joy Emmanuel and Ian MacPherson

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Reviewed by Professor Mary Mellor, School of Arts and Social Science, Northumbria University.

This is the first volume of a three volume publication from the British Columbia Institute for Co-operative Studies at the University of Victoria. This first volume is mainly the proceedings of a conference on Co-operatives and the Pursuit of Peace held in the Institute in June 2006 with support from the International Co-operative Alliance and the International Labour Organisation. Volume two is intended to be an elaboration of the case made in this volume that co-operatives are ideally suited to developing a people-to-people approach to conflict resolution which more compromised institutions such as governments may not be able to achieve. Volume three is a DVD. The case made in this volume is that co-operatives have had, do have and can have a valuable role to play in bridging conflict. While many of the papers advocate the positive relation between the principles of co-operation and advocacy of peaceful resolution of conflict, the authors do not flinch from pointing to problems, failures and blind spots.

Examples of the activities and aims of co-operatives are drawn from around the world including countries in South America, Asia and Africa, from different conflict situations and different points in their trajectory, such as periods of reconstruction. Gender issues and the history of co-operation internationally and historical initiatives are also covered. One difficult question is whether co-operatives should ever support violence or take sides. This is addressed in Rita Rhodes' historical overview of the stance of the International Co-operative Alliance in relation to the First and Second World Wars. Throughout the First World War, the ICA maintained cordial relations between its member organisations even when they were on opposite sides. Rhodes argues that this was because as a working class organisation, the co-operative movement saw the war as an imperial conflict that should not divide the interests of the working class. There were issues around co-operators' involvement in the conflict and the nature of the post-war

settlement, but differences within the ICA were dealt with through the members of the Alliance making statements about their involvement anticipating the Truth and Reconciliation movement in South Africa. The Second World War presented a more difficult case for neutrality and the ICA was on the side of the allies in what it saw as a moral cause. During the Cold War the ICA managed to avoid a split with the Communist bloc by setting up a non-voting associate membership. The ICA also established a strong presence in the newly established UN. A paper by Akiro Kurimoto recalls that an ICA Peace Resolution in 1957 was proposed by the Japanese Co-operative Union President and this paper, together with the contribution of Chushichi Tsuzuki, recalls the campaigns by Japanese co-operators against nuclear weapons and for peace in the Cold War.

In his paper, Milford Bateman argues that:

there is a wealth of evidence from around the world that ... co-operatives and co-operative type structures can play a role in peace-building, sustainable post-conflict resolution, and development efforts. (p278)

His contribution describes co-operative initiatives following the civil war in the former Yugoslavia. The example he gives is the formation of raspberry growing co-operatives in post-conflict Bosnia. He shows how one of the most successful co-operatives, Poljar, avoided conflicting and exploitative inter-ethnic business relationships, helped to rebuild local taxation arrangements to support local government and started new ventures such as cheese-making. Interestingly he sees the earlier Yugoslavian worker's self-management model as having created a readiness within the post-conflict population to embrace such reconstructive ideals. Hannah Wittman presents another case study of an agricultural co-operative in Brazil. Canudos Agricultural Production Co-operative Ltd (COOPAC) was set up by MST the Brazilian Landless Worker's Movement and provided much wider social benefits than its work in

chicken, egg and flour-processing. Ada Souleymane Kibora writes about self help and co-operative organisations in ethnically complex West Africa. He points out that in Togo the Federation of Savings and Credit Co-operatives (FUCEC) was one of the rare organisations to remain neutral during political conflicts and provided services to all members without ethnic or political distinction. Co-operatives or co-operative like organisations help to overcome seasonal food shortages in the Sahelian countries. Co-operatives have worked to alleviate poverty and support the position of women. They also support the development of democracy through their examples of democratic procedures.

The section on gender is very short and this reflects the concerns expressed in the papers about the continued marginalisation of women within the co-operative movement. One area of conflict and violence that is addressed is violence in the household and examples are given where co-operatives have had to specifically address this within their own membership. Lota Bertulfo notes that a credit union in Malaysia had to introduce a rule that violence towards a spouse would make people ineligible to stand for office in the organisation. In the Philippines women were so marginalised that they set up their own women-only co-operatives. Although it is not in the section on gender, Gill Scott has written a critical account of the role of pacifism in the English

Co-operative Women's Guild. She argues that in the 1930s a commitment to pacifism undermined other co-operative values such as the commitment to democracy and social justice. In this she draws a clear line between the pursuit of peace and the pursuit of pacifism. Scott claims that the Women's Guild was damaged by autocratic leadership and internal conflict in defence of a pacifist position that was increasingly challenged by the Civil War in Spain and by the rise of fascism in Germany and Italy. The demand that no Guild member could engage in activity supporting a military position led to a loss of membership from which, Scott argues, the Guild never recovered.

The concluding statement of the conference and this book returns to the potential of the co-operative movement to promote peaceful developments. While many of the contributions to this book describe the positive benefits of existing co-operative action Yehudah Paz calls for more recognition throughout the movement of the role that co-operatives can play, particularly in post-conflict situations. Paz sees co-operatives as able to engage in people-to-people reconstruction at the grass roots level, while providing one of the most important aspects of reconstruction, sustainable economic development. This is an interesting and thought provoking collection of papers that deserves to be widely read and the case made for the role of co-operatives in promoting peace and resolving conflict is a convincing one.

## **New Zealand Credit Unions - the First Forty Years. People Helping People**

By Gordon McLaughlin

Published by Four Star Books, New Zealand Association of Credit Unions, 2002.  
ISBN 095978537X

Reviewed by Paul A Jones, Research Unit for Financial Inclusion, Liverpool John Moores University.

This book tells the story of New Zealand credit unions. From the registration of the first credit union, St Mary's Credit Union in Hamilton, in 1956, the author takes the reader on a journey through over four decades of development. He describes the events that led to the creation of 312 credit unions, the maximum number ever registered, which by 1985 had attracted 138,748 members and assets of NZ \$102 million. He continues the story to around 2001, when the then remaining 63 credit unions became subject to new regulatory trust deed requirements. According to the latest 2006 statistics available from the World Council of Credit Unions, there are now just 39 NZ credit unions with 176,474

members, representing 6.37% of the NZ population. Collectively in 2006, NZ credit unions held assets of NZ \$523 million.

The credit union journey, as told by McLaughlin, is not, however always an easy journey to follow. The book is full of descriptions, reminiscences and anecdotes, through which the reader struggles at times to find some real sense of direction. The journey is more like a voyage without a compass through a multitude of colliding events and personalities. There are no chapter titles, no paragraph headings, no tables nor charts. The reader has to make his way forward through a continuous text, which moves backwards and forwards in time, with

key people and events appearing here and there without any strong sense of connection. We are given intimate details of the personalities, mannerisms and even dress sense of some main individuals but often key references remain unexplained. The 2001 regulatory requirement under the NZ Securities Act to arrange a trust deed, administered by an external trustee, for example, was a key turning point for NZ credit unions. However, there is no explanation or analysis of the details and status of trust deeds or of how they operate that would assist the reader unfamiliar with NZ legislation. This book is written by someone who is immersed in the events and personalities of the NZ credit union movement for people who already share some of the same background. This makes it difficult sometimes for the outsider to negotiate.

However, in and through the text, the story of the NZ credit union movement, which has resulted in the creation of about 39 full service financial co-operatives, reveals learning relevant to the development of credit union movements worldwide. Even though not headlined in chapters or tables, the author has identified some of the important features that characterise successful credit union growth. In particular, the importance of realistic development models, of enabling legislation, of proportionate regulation and of the support of a strong national trade association comes through as essential to safe and sound credit union development.

As in many other countries, NZ credit unions were started by groups of socially motivated individuals who were inspired to create small financial co-operatives for the benefit of their own communities, mainly in New Zealand for church parishes or employee groups. These founders were mostly working people who

sought some independence from what they saw as financial exploitation by privately owned banks and other financial institutions.

The majority were “driven by a deep value of credit union philosophy” and many were influenced by religious principles, particularly those based on Catholic social teaching. As elsewhere, the incipient NZ credit unions became a social and economic movement led by people with a “strong missionary zeal”. McLaughlin notes that:

*something of the ardour of revivalist meetings coloured the early NZCUL (New Zealand Credit Union League) conferences.*

However, unlike many of the originators of British credit unions, these charismatic individuals were

not motivated by a desire to combat poverty; and as McLaughlin explains, they had “no working class political edge”. In the 1950s and 1960s, New Zealand was a relatively affluent country with good health and welfare provision. It was not poverty but rather, the rise of consumerism that stimulated the development of credit unions. After the austerity of the war years, the appearance of mass produced goods led many people to take out expensive hire purchase agreements, as bank loans were not generally available to blue collar workers. Credit unions were created as an affordable and accessible alternative for working people. Importantly, in an age when borrowing was not as acceptable as it is today, the fact that credit unions also encouraged thrift made them the more morally acceptable face of credit.

By the 1970s, ideas about change had already begun to surface, here and there, as many small parish and employee credit unions started to reflect on their longer term sustainable development. McLaughlin notes that:

topics for discussion were more closely focused on the financial running of credit unions, as the decade progressed and services became more complex.

By the 1980s, the first mergers started to take place and credit unions began to open their common bonds to the community. The notion that a credit union could remain a small parish or employee group was slowly being challenged by some in the movement. By 1981, credit unions were already giving a high priority to the establishment of a central funding system to stimulate development and growth.

Unfortunately, McLaughlin is more descriptive than analytical in his presentation of the early moves to bring about change in the movement. There is no in-depth critique of the dynamics and of the drivers for change, and the processes whereby change was increasingly considered or resisted are only picked up intermittently here and there in the text. Nevertheless, the model of credit unions as small volunteer-run co-operatives serving a restricted common bond was being questioned by some in the movement.

In reference to legislation change, McLaughlin is clearer and more informative. He argues that NZ credit unions had been kept small purposely by government through restrictive legislation. They had been “tucked” with the Friendly Societies Act and, over the years, government had shown a reluctance to give them the kind of legislation that would have

helped them to grow faster than they did. Common bonds, savings and lending limits were all subject to restrictions. By the beginning of the 1980s, the increasingly influential, New Zealand Credit Union League (later the New Zealand Association of Credit Unions (NZACU)) began to campaign for new and improved credit union legislation. McLaughlin might have explored further the role of a strong trade association in the strengthening of a credit union movement, but is clear through his description that the strength of the League was certainly a contributory factor to longer term success. In Britain, weak and divided trade associations were identified as one of the reasons why credit unions there had remained small and undeveloped through the 1980s and 1990s (Jones 1999)<sup>1</sup>.

The New Zealand Credit Union League pushed for new legislation which would both be less restrictive in terms of what credit unions could do, and which would also introduce adequate supervisory control to ensure credit unions developed as safe and sound financial institutions. The new legislation was introduced in 1982, but just as it was going to come into force, a last minute exemption was gained from the NZ Security's Act legislation on trust deed enforcement. This meant that credit unions would be exempt from the more rigorous supervision, compliance and control, but it also meant that they would remain small.

This exemption was a victory for those in the movement, including some of the original founders, who were still wedded to a vision of credit unions as small-scale parish and industrial groups designed to help smallish homogenous groups of people to help themselves. The vision of credit unions becoming large financial institutions just did not feature in their world-view and in fact ran counter to their understanding of the purpose of credit unions. The result was that the new 1982 legislation still meant that NZ credit unions could only accept an individual maximum deposit of NZ\$10,000, were not able to own land or to borrow outside credit unions and were subject to limits on lending and other restrictions.

Those who argued that the 1982 exemption was good for the movement did so on the grounds that it avoided expensive outside trust supervision

which would have been burdensome to the growing but still small groups.

McLaughlin gives no analysis of why many original founders of the movement, originally inspired by a sense of mission and purpose,

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were so reluctant to embrace the greater challenge of growth that would have been fostered through rigorous financial supervision. This would have been helpful as the same reluctance to embrace major change has often surfaced elsewhere, including in Britain. There were those who argued strongly against the move to bring British credit unions under the regulatory supervision of the Financial Services Authority mostly on the same grounds as in New Zealand that small groups could not cope with the expense and the rigour of compliance. However, it was an argument that was rejected, to the now recognised long term benefit of the British movement.

In New Zealand, it was not long after the 1982 legislation was passed that more and more credit union personnel began to realise that permanently small-scale credit unions were neither viable nor sustainable. The new legislation was not designed to enable growth, but importantly, with the trust deed exemption, neither was it designed to protect credit unions from mismanagement or fraud. With no direct regulatory supervision or scrutiny of credit unions, as McLaughlin explains, irregularities became common to the detriment of the movement as a whole.

The culmination of the irregularities happened in 1998 when Canterbury Port and Province Credit Union went into liquidation. Poor management, extensive loan losses but also a serious fraud by a member of staff led to the credit union's widely publicised collapse. Serious management irregularities and a lack of financial control led to action being taken in the high court against the directors and auditors in order to recover money to repay savers. To make matters worse, the general manager was the high profile chair of NZACU's member service committee.

In 1982, credit unions had avoided trustee supervision but, by 1998, NZACU was beseeching the Government to take the exemption away in order to ensure the safe development of the movement. By 2001, all credit unions were obliged in law to sign up to a trust deed administered by an external trustee company that acted as a prudential supervisor.

The imperative of the 1990s was to ensure proportionate but rigorous regulation through the trust deed. But, as McLaughlin stresses, it was also a time for credit unions "to grow or die". He gives three key drivers for credit union change at that time; changes in the industrial sector and the downsizing of companies that hosted credit unions; an opening in the banking market for serving personal and small business clients and

the need for critical mass to thrive in the increasingly complex business of providing full financial services.

The result was, by the turn of the century, NZ credit unions had embraced significant change and were beginning to successfully enter the financial market place as full service co-operative financial institutions. Under the leadership of NZACU, credit unions had been equipped with full electronic transaction services, which were seen as critical to their successful development in the contemporary financial sector. Through the 1990s, the small credit unions continued to disappear as they increasingly amalgamated to achieve economies of scale. By 2006, NZ credit unions were just 12% of the original number registered but were serving many more members with quality services.

This is a book that is neither academic nor easy to read. A lack of references or bibliography is, for example, to be regretted. But it does contain many of the key elements of successful credit union development. In Britain, a similar process of transformation is taking place among credit unions. At their highpoint in terms of numbers in the 1990s, there were over 700 British credit unions, the majority being small and vulnerable organisations. If the changes that are currently being undertaken in Britain result in 84 strengthened credit unions that are able to serve an increasing overall membership with quality products and services, then maybe a similar credit union journey to NZ is to be welcomed. Of course, this book concludes in 2001. What happened next, readers will have to research themselves.

## Notes

1 Jones PA (1999) *Towards Sustainable Credit Union Development*. ABCUL, Manchester

## **Co-operation's Prophet: the Life and Letters of Dr William King of Brighton with a reprint of *The Co-operator*, 1828-1830**

By T W Mercer

Co-operative Union Ltd, Manchester, 1947. Some copies are available from the Co-operative College at £12 including postage and packaging – <http://www.co-op.ac.uk/store.asp>

Re-visited by Professor Stephen Yeo

Dr William King's project was total: no less than to create Communities, starting in Brighton, which would compose a Society in which "interest and duty would go hand in hand". Christ's "social commandment" to love your neighbour as yourself was, he thought, "the fundamental basis" of any Community and Society. He used the capital C and the capital S. The trouble with the unsustainable epoch in which he lived was that "in common life it is impossible to act upon this principle". Self-interest ruled. So a set of social inventions was needed whose "moral and religious" dynamic would supersede the present contradiction between individual and society: "our own interest is much better secured in that of the Community". Enter co-operatives.

King set about debating with the editor of the local paper and fellow activists including William Bryan and many others. Only some of their names are known but they were as important in the local story as William King.<sup>1</sup> As far as King is concerned we should remember that we are dealing with a practical prophet from the medical profession at a time when doctors were also

progressive social reformers; with a sympathetic human being active in Brighton from 1821 until his death in 1865; with the pre-Rochdale phase of co-operative history in Britain which included hundreds of shops, in Societies designed to accumulate capital for community rather than distribute it as individual dividend; with a journal *The Co-operator*, which ran from 1 May 1828 to 1 August 1830; with letters King wrote between 1825 and 1865 to the *Brighton Herald*, Henry Brougham, Thomas Hirst, Henry Crabb Robinson and Henry Pitman; and with a forty-five page biography of King by T W Mercer (1885-1947). This was left uncorrected but with excellent Endnotes at the time of Mercer's death. Mercer's writings are as remarkable as King's: his papers await researchers in the National Co-operative Archive. He was honoured in his own way by David Lazell (1932-2007).<sup>2</sup>

I will not use my rationed space here to rehearse the place of King and the journal in the narrative of the movement. The standard histories from Holyoake to Bonner and Cole, from Harrison to Birchall and Claeys, tell the story well enough. Hopefully, there will be many more such

histories and from a global perspective. King and *The Co-operator* will always be somewhere near the beginning at least until aboriginal Australians and First Nation North Americans write the history. Instead, I want to invite readers back to Mercer's classic text with thoughts derived from King's *Co-operator* on a single question: what **kind** of movement for membership and belonging are we working with when we study and organise Co-operative and Mutual Enterprises (CMEs)?

A close reading of King suggests six characteristics. First, CMEs work vigorously for membership and belonging at times when society's wider offer seems unsustainable. In our times, unsustainability means ecological crisis. In King's time it meant "the state of the poor" or "starvation" (his word) and something which "alarms everybody who thinks": escalating crime, particularly acts "connected with low wages and difficulty of living". He meant what we call 'terror'. Secondly, CMEs are based on people working together: "union is strength in all cases". But union is also a means to an end. The end is not to alienate our enterprise (work/labour), which is what otherwise would happen to it: 'employers' seeing it as theirs. As humans – capitalists realise this every day – it is fulfilling (natural?) to own and control our capital, to know about its circuits, "the produce of our work". A **sense** of ownership is important, yes, but it can best be achieved by some form of actual property (common? co-operative? mutual?). Thirdly, union among working people is best achieved through a range of associations. These include Savings Banks and Friendly Societies. Fourthly, for working people it need not be a question of all or nothing.

If the members choose to remain in a town instead of going into a community, they may derive all the advantages from the Society

like their own shop and their own school. Fifthly, a proper state of union must include Institutes for learning, because ignorance is its worst enemy and knowledge its best friend. In a letter to Henry Pitman of October 1864, King

prophesied: "by-and-by, too, you will have co-operative schools". And in No 1 of the *Co-operator* (May 1828) he wrote,

we *must* send our children to school, why should we not have a school of our own?

Every issue of *The Co-operator* carried this mast-head, in capital letters:

Knowledge and union are power: power, directed by knowledge, is happiness: happiness is the end of creation.

Intelligence, in every modern sense of that word, is essential for union – which brings me to the sixth and most difficult lens through which I recommend readers of the Journal of Co-operative Studies to read *The Co-operator*. King's Societies, he calculates, will accumulate capital, reasonably fast.

Suppose 200 persons thus unite, and subscribe each, a shilling a week, and by purchasing at their own store, produce a profit of £20 a week, they will accumulate at the rate of £30 a week, or £1,560 a year.

Given the history of Building Societies, let alone of the Co-operative Wholesale Society (CWS), who is to say that King was wrong? This means that intelligence will have a site (land) or **state** to direct. 'State' is my word not his. Members will, in fact, constitute their own State, doing what 'the state' suggests that only 'it' ('us' misrepresented) can do. Although this is my way of putting it, King makes the point by specifying what 'the Society' will be able to do. It will be able to "find work for some of its own members", in the end employing them all. There will be "medical attendance at the common expense". Manufacturing will commence, providing for all their wants. In old age members "will still live comfortably among their friends" rather than in the workhouse. So will dependent widows and children, although women will also engage in manufacture. "In a few years we shall have capital, comfort and independence". Not bad, and all this from the very first, May Day issue of *The Co-operator*. Read on!

## Notes

- 1 See Andy Durr, "William King of Brighton: Co-operation's Prophet" in Stephen Yeo ed *New Views of Co-operation*, Routledge, London and New York, 1988 pp10-26.
- 2 See David Lazell, *T W Mercer: the William Morris of the Co-operative Movement* published by the writer, East Leake, Loughborough, 2005 available in the National Co-operative Archive.