# 2012 - The United Nations Year of Co-operatives:

### Reflecting on what has been done and what needs to be done,

# the importance of financial co-operatives

by

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There is much to celebrate. Nearly 200 years of sustained and continuous growth – in type, size and locations. Over one billion members. More then 300 different kinds of organisations, serving nearly every economic purpose from the cradle to the grave. Vital resources in hundreds of thousands of communities, fostering economic growth, the training of untold numbers of people, bringing together individuals together in mutual help and inclusiveness through a distinct form of organisation. According to the United Nations, providing at least one important service to three billion people – about half the people on the globe today. Contributing to more peaceful societies in many ways, though this aspect of their contribution is often taken for granted.

Everyone in the international co-operative movement is indebted to Iain Macdonald, the recently retired Director of the International Co-operative Alliance, and to Ivano Barberini, the former ICA President, as well as to other ICA Board members, many national co-operative leaders, several national political leaders, and officials responsible for co-operatives within the UN and the International Labour Organisation, for securing this recognition of the contributions by co-operatives, past, present and future, to peoples around the world.

The Year of Co-operatives will be important because it will provide an opportunity to celebrate co-operative accomplishments. Co-operators generally are not very good at such celebrations. Partly, I think, that is because the movement is always preoccupied with doing better (and therefore fixated on shortcomings, real or imagined); it is always facing pressures to develop new services; and it is primarily concerned with internal communications and not often with general audiences. Moreover, co-operatives are, for the most part, creatures of markets that primarily operate for the benefit of others or even provide a level playing field. They typically involve people who are unaccustomed to being in dominant and prominent positions within society; their leaders frequently do not readily recognize the importance and potential of what they are doing.

Moreover, co-operatives are not commonly considered seriously in public debates over economic or within educational systems. They are rarely afforded the kind of attention their size would suggest they should have within discussions of public policy.

For all these reasons, the movement should seize the opportunity offered by the cooperative events of 2012 to improve at least partly on this situation by creating opportunities for sustained discussion about its accomplishments and its fundamental nature – discussions that could usefully be held both within and without the movement. It should be a time for celebration and reaffirmation.

The year will not be a success, however, if all that happens is the highlighting of past and present accomplishments, as important as that would be. It should also be a time for profound reflection on the co-operative experiences in its varied forms and in its remarkably different contexts around the world. The movement needs to reflect on what has made success possible. Equally, it needs to think about how its development has been inhibited or restricted either by external forces or by internal shortcomings. It should reflect on how the values and principles upon which co-operatives are based can be further and more broadly applied in the modern context, particularly amid the communication changes and ecological issues that are reshaping our world. It needs to think more about how co-operatives develop within different economic and cultural circumstances. It must work on projecting a fuller understanding of what it is about what co-operators of other times used to call the "big picture. It should address the issue of how different kinds of co-operatives can prudently work more effectively together across barriers created by narrow institutional and cultural barriers. It should address more fully and practically how co-operatives can build their international linkages in order to become an even more significant and alternative player in a globalizing world, a kinder and gentler, more respectful, less arrogant, force in building a better world, economically and socially.

Although the pattern has been changing rapidly, the common face of the movement still tends to be tied to the North Atlantic countries, and though (of course) they are still an important part of the co-operative world, the celebrations during 2012 should also prominently highlight and consider the remarkable developments in many other parts of the world as well. One of the main contributions this special year could and should make is to encourage more people (within and without the movement) to see and understand the amazing range of co-operative enterprise that exists and to reflect upon the thought upon which they are based. It is an amazing opportunity.

I think that the Asian co-operative organisations, Asian movements, and Asian co-operators have a particularly wonderful opportunity; one might even say they have a special duty. They face, however, what can only be considered as a particularly daunting task because of the enormity of what Asia represents. It is the world's largest geographic region, and it possesses far more people than any other. It includes incredible varieties of culture, language and economic circumstance. It is alive with numerous ideological and cultural traditions.

It is not surprising, therefore, that it possesses a very rich and diverse range of cooperative enterprise. Asian peoples, I believe, perceive co-operatives in many different ways. There are at least as many differences as similarities in the Asian movements – and we should celebrate that and try to understand more completely what those differences mean.

Moreover, many of the largest movements in the world are located in Asia, another powerful reason why the Year of Co-operatives should have a strong Asian flavour. The growth over the last sixty years has been remarkable. The accomplishments of Asian co-operative leaders, the work done by people in this room and many outside it, needs to be understood and acknowledged. The commitment of many members to the strengthening of local organisations and the expansion of the co-operative idea has built the movement to its present state: they should be thanked.

There is, of course, yet another reason: the rise of several Asian countries, so obvious today, means that what happens here over the next few decades will profoundly affect how the world develops; it will also significantly shape the co-operative world, just as the issues of industrializing Europe and the rise of the United States and Canada did from the middle of the nineteenth century to the later twentieth century. To give one little example: according to a recent article in *The Economist*, it is estimated that India alone will account for three out of every ten jobs created around the world for the next several years. The rapid growth of consumerism in many Asian countries is already a powerful economic, social, and political reality, a determining factor in the global shifts of our times. The growth of your cities is astounding, also one of the most obvious demographic facts in the world today.

In Asia, the transformation of rural life is taking place at an unprecedented rate, as powerful a set of changes as anywhere on the globe. The related growing importance of good food and expanding energy needs in a world with essentially finite resources raise immense challenges that co-operatives can partly meet – in Asia as elsewhere.

If, as social scientists project, our global population increases by fifty per cent to reach nine billions of people by 2050, how we manage our land base, our agricultural production, and our energy resources will determine our fate as a species. Which of the broad ways of managing this development would you prefer? Control in the hands of organisations primarily concerned with creating profits out of production for investors and managers, increasing government control, or the growing engagement of more community-based organisations such as cooperatives?

The pressure we feel now, the pressures that are accumulating in an increasingly more uncertain future are all classic circumstances for the development of co-operatives. Whenever faced by similar pressures during the last 200 years, people in many parts of the world have often been attracted to co-operatives: they can work, they increase control people and communities have over their lives, they can meet so many kinds of needs, and they create new and resilient pools of capital and human power. All that has been needed is that people have the opportunity to

learn about co-operative responses and the access to the resources to make them work – not easy, but not impossible either. Thus, while it is good to be a co-operator at any time or place, today it should be particularly exciting to be an Asian co-operator – you have the greatest possibility of shaping the future.

The Asian experience is particularly interesting to me because of what I understand of the history of your movements. You inherit traditions of family, community, ethics, values and philosophy that provide fertile grounds for co-operatives. Many Asian countries first learned about formal co-operative organisations through the distorted eyes of imperialist regimes. Like much of Africa and Latin America, you have had to come to terms with that doubtful inheritance. Many have had to learn how to adjust to the often-distorted understandings that came from the Independence era, particularly around the forced development of staples through heavy-handed government programmes administered that were not based on clear understandings of the distinct nature of co-operatives. And today, the Asian movements are expanding into new areas of activity that have been made possible by more open markets, improved communications, and vitalized entrepreneurship, especially at the community level. There is a richness of experience in that past and present from which Asians and others can learn important lessons. There is much to be gained by reflecting on your own roots, from reflecting on your current circumstances.

At the same time, Asian co-operators are facing enormous challenges. While there is much wealth in Asia and more people are entering the middle class than ever before, some 900,000,000 Asians (about 15% of the world's population – it is not just an Asian "problem") still live in poverty. In other words, across the region, there is an unequal distribution of wealth in which the spread from poor to rich is still widening, just as similar bursts of economic growth in the past in Asia and elsewhere have produced unsustainable and inexcusable income differentiations. Sooner or later, extreme greed earns its appropriate reward in class struggles, political upheaval, youth revolts, and extremisms of various kinds. It is an old story, one that human beings seem to have great difficulty in learning. It is also a situation in which cooperatives can thrive and turn economic growth genuinely to the common good..

At the same time, you are also facing some of the most difficult problems in the world because of the resurgence of ancient troubles dividing religious and political communities, the increasing crises associated with terrorism, and the seemingly unending disasters brought by climate change and natural calamities.

It is not simple to establish what are the responsibilities of co-operatives in such circumstances; all that is clear is that they can have, often do have, sudden and calamitous impact on co-operative organisations and the communities they serve. It can also be true that co-

operatives can significantly help in reducing some of the tensions that arise. It is not easy to distinguish grains produced by farmers professing different religions; it doesn't matter what kinds of people deposit funds in a credit union – all that matters is that it is rewarded equitably and equally and that loans are made in an open, fair and transparent way. By concentrating on their organisation's needs, by dealing openly and democratically with all the membership, and by admitting all who can use its services, leaders and members ensure that their co-operative contributes significantly to building mutual respect and solidarity within their communities.

Nevertheless, whatever else: between the challenges and opportunities the New Asia presents to you, and the various tensions that are thrust upon you, there will not be many quiet times.

Such problems are far too complex to be laid entirely at the relatively small door of community-based co-operative financial organisations – the thrift and credit societies and the credit unions. And yet, such problems help define the common challenges and the needs within which they must function. They cannot be ignored

And what is it that strikes an outsider looking at your movement? The following points are, I suspect, rather obvious, but I hope they will still help encourage some thought and, if time permits, some discussion. I look upon this session, to be frank, as a way in which I can learn more either here or afterward from you. I hope that what I have to say will be of some use to you. In particular, I would like to address four points that I hope you can accept at important for you – and for the credit union world generally. They are: some of the complexities of building a movement that includes credit unions at different levels of development; the necessarily slow and steady ways in which credit unions develop; the need for a higher profile; and the value of more and deeper thought abut credit unions and co-operativism

One of the arresting features of the Asian movement is the different levels at which your national movements are functioning. I found in one of Mr. Hettiarachchi's presentations on line his differentiation into the following categories: "new", developing, developed, and consolidating. I think he might be referring to what I have called in another paper I presented here this week, and in other papers and books I have written, as "formative", "stabilizing", "building", "rethinking", and "reformulating".

I think this dividing the development of credit unions is helpful in understanding some of the complex challenges that the Asian movement faces. Each of the stages represents a different set of challenges, a different grouping of needs, a different set of relationships, particularly with members, within AACCU, and with governments. Managing those changing circumstance, particularly because they are constantly evolving, must be very complex.

The differences between credit unions that are "new" (or what I call "forming") and those that are "developed" or "consolidated" (or "building"-"rethinking" –"reformulating" in my way of thinking) are immense. New credit unions require extensive training for members, elected leaders and staff; they need enabling legislation but they must also have some external support because new credit unions have limited funds for all that needs to be done. At the same time, they must be so organized as to have steadily increasing levels of independence and must move as quickly as possible to become fully independent. Their relationships with members must be close. They must learn quickly and effectively what is required to manage successful credit unions. They tend to have leaders who are capable of exciting and mobilizing people, who are in some ways "charismatic". They need the support of outside organisations and wise, understanding governments.

On the other hand, "developed" or "consolidated" credit unions are capable of operating as independent organisations, often including considerable independence within such organisations as AACCU. They are focused, often, on member economic benefit. They are increasingly driven by wealth creation activities for their members, a worthy goal. Their connections with communities are more formal, less based on individual associations. They become protective of their own institution's interests. Their staffs are multi-faceted, increasingly including specialists, whose career goals may be tied as much, or more, to their professions as to their credit unions. They tend to compare and measure themselves against non-cooperative competitors, which can affect the institutional cultures of the organisations – in fact, can easily lead to a declining commitment to the co-operative dimensions of the organisation that employs them. Their leaders are often of a different kind than those to be found in newer credit unions: less charismatic, much more concerned – and they have to be – with melding their team together and enhancing its capacity to operate increasingly complex organisations. They are much more integrated within the market place.

Managing this diversity is as complex a job as one can have in the credit union world. On the one hand, the challenge is to do what is possible to help address the mammoth problems of poverty reduction in a practical and effective way through new credit unions: the temptation is to try to do too much. On the other hand, with well-established credit unions, the temptation may be to do too little – to be satisfied with only achieving increasing financial benefits for members. When that is all that happens, only part of the credit union promise has been met, an important part, but only a part nevertheless.

In the end, balancing the pressures and possibilities inherent in the work at the two ends of the credit union spectrum is a difficult art, a constant test of prudent action, common sense,

wise governance, and careful administration. It is also dependent on keeping the good will of all involved and on the effective management and governance of local organisations, at whatever stage they find themselves. The days will frequently be long; most of the tasks never completely done.

Secondly, I believe the work of forming new credit unions and credit union movements is slower that people might wish. People in well-established credit unions tend to forget the complexities that accompanied their own earlier days, the myriad of tasks that their pioneers, like today's pioneers, had to do, often at the same time. Governments, too, are often unrealistic in what they expect, while the public has imprecise understandings of the possibilities.

The wait, though, is worth the effort; possessing the diversity your regions does can be an asset in demonstrating the credit union possibilities. Like other kinds of co-operatives, credit unions create real and permanent wealth, wealth that is not manipulated on the stock market, that revolves within communities, that creates new and previously unharnessed sources of capital, that stays within communities, that has permanent and known ownership, management, and governance, and that empowers members. It is also wealth that remains far less untouched by rapid downturns, as the experience during the bursting of the "Asian bubble" some years ago showed, as does what has generally occurred during the current series of economic problems. Credit unions that remain driven by their core values are relatively immune in such situations; it is the few who try to stretch their engagement with the main stream financial structures that are most affected. The greatest risks are with the large credit unions not the small ones.

Credit unions have particular value in today's world, which has seen so vividly in recent years the consequences of too rapid growth, of too many manipulations in the financial world, and the impact of capital that roams irresponsibly around the world searching for the easy profits. The slow, steady way in which credit unions develop can be frustrating – but it is also dependable and credit union leaders, governments and the public should reflect more on that fact – and tell more people about it.

Third – and this is connected partly to the slow, steady way credit unions tend to grow – they are seldom afforded the respect and influence they have earned. Despite good efforts by many well-intentioned people over the years, the movement still possesses a very low profile, especially in light of what it has accomplished.

I compare, for example, our work with that of the Grameen bank. The approach of Mr. Yunus and his associates, of course, was very high profile because it deliberately and effectively attracted very prominent people to its cause and relied on external funds to provide the resources for the local lending activities. It was originally a "top-down" approach, though it appears to be

modifying its structures to make way for some increasing involvement in the direction of the organisation by local leaders. It has also been primarily concerned with making loans, rather than encouraging thrift, though, again, I am told, they are changing that message somewhat today. Grameen deliberately and effectively garnered the interests of the media, fitted in fairly well with dominant notions of the market place, and made it possible for some from the elites to contribute to the bank's work.

Similarly, much is made of the work of the World Bank as it seeks to expand what appears to me to be conventional banking operations to the top economic groups still not served by conventional banks. There is much to commend this incremental, steadily widening approach to economic development, but, like Grameen, it has its limitations.

I think that the approach still not widely enough grasped is that which credit unions provide by mobilizing people to form organisations that solidly build social as well as financial capital. I think this point can be demonstrated by the work that you do. I am impressed by the way in which AACCU is flexible in seeking to engage people in the development of credit unions: for example, the ways in which you have adapted some aspects of microfinance as it is practiced but doing so within the practices and philosophy of credit unionism; by your work in benchmarking; by the kinds of training programmes you foster; by your efforts in rural finance; and most of all by how you strive to co-ordinate the work of credit unions across the region – to create a voice for what you believe.

What we all need to do better, in fact, is to communicate the credit union option more clearly and prominently. Doing so requires degrees of integration, consistency, and vigour we have not yet achieved on national, regional and international levels. The Year of Co-operatives presents an opportunity from my perspective because I believe what makes a credit union unique and important comes largely from its co-operative structure.

Fourth, we need to pay more attention to the ideas on which credit unions are based and how they are implemented. People are motivated by economic interests – that is true. They are also motivated and excited by the power of ideas. The history of the movement in this region – as well as everywhere else – demonstrates this fact abundantly. Today many people are worried about the course of economic development, the need for more local and personal control, the challenges of the increasing shortage that will beset us all, and the search for ways to bring people together – the ways in which we can create a more peaceful, collaborative world. Credit unions, like the co-operative movement more generally, has much to say about these issues, the most pressing of our times. To do so, though, we need to study more, and reflect upon, what we have done and what we are capable of doing. We need to be as concerned about "why" as "how". We

need to develop more analyses of what works but we need also to show more often, and with deeper thought, how much we have to contribute today. We should be more engineers than technicians, as much thinkers as doers. We should work harder at creating bodies of knowledge and at creating possibilities for deepening the discussions about how the world might better collaborate before our competitive instincts destroy us all. Nowhere is better suited for this kind of reflection than Asia.

This is not an academic appeal, though it is vital for the serious consideration of the cooperative model within the academy – including credit unions. One of the structural weaknesses of the movement has been – and is – the inadequate training of directors, staff, members and the general public in the essences of co-operative approaches. We rely on others to teach management, invariably without any understanding of the distinctive value base or organizational needs of our kinds of organisations. Our public education systems typically ignore co-operative thought and organisations. The public perception most commonly at best merely patronizes what we do. That situation will only be changed when we have worked harder at developing information bases characterized by deeper analysis, both quantitative and qualitative.

Finally, may I conclude (though I may be a little premature), by wishing AACCU a happy 40th anniversary in 2011. You have a rich and colourful tradition. You have accomplished much under very diverse and often very difficult circumstances. May you long continue to do so. As they say in the lands of my ancestors, "May the road rise to meet you. May the wind be always at your back? May the sun shine warm upon your face."