

# Credit Unions and the New Mutualism

Race Matthews

How relevant is the mutualist philosophy to our times? There is a need for a New Mutualism which brings back together that great family of organisations which are heirs to Australia's enduring tradition and history of mutualist self-help. There is a need for innovatory methods of applying a mutualist approach and outlook in the difficult and turbulent years which are ahead of us. Australia's most distinguished political journalist - Paul Kelly - has called his most recent book *The End of Certainty*<sup>1</sup>. As a recent seminal study by Hugh Mackay points out, "Whether we realise it or not, **all** Australians are becoming New Australian as we struggle partly to adapt to the changes going on around us, and partly to shape them to our liking"<sup>2</sup>. It may well be that the acid test for mutualism in the times to come is whether - and, if so, to what extent - it enables us to shape changes to our liking. The most effective way for us to restore certainty to our lives is to take back control of them to the greatest possible extent for ourselves.

Australia stands today at an historic watershed in our national affairs. It is plain now as never before in our postwar experience that neither the welfare state as we know it today nor the unfettered market economy are capable of meeting the expectations which many have invested in them. The lessons and consequences of the "greed is good" eighties are far too recent and painful to require significant or extensive reiteration. Unemployment levels are higher than ever before in our postwar experience. So too are levels of long term unemployment. The capacity of even an otherwise healthy economy to provide work for all who seek it is - at the least - in serious doubt.

The gap between the rich and the poor has at the same time become greater than at any earlier postwar stage. The Mackay study reminds us that:

In just sixteen years (1976-92), the proportion of Australian households with an income of more than \$72,000 (based on constant 1991-92 values) rose from 15 per cent to 30 per cent. At the same time, the proportion of households with an income

of less than \$22,000 rose from 20 per cent to 30 per cent ... If we define the economic middle class as being households with incomes between \$22,000 and \$72,000 (in 1991-92 terms), then the middle class has shrunk from 65 per cent of households in 1976 to 40 per cent of households in 1992.<sup>3</sup>

We have moved within the space of two decades from being one of the most egalitarian nations on earth to one which is characterised instead by profoundly anti-egalitarian attitudes and practices. The rebound from welfare at the same time threatens to become a wholesale retreat as governments everywhere scramble to re-balance their budgets and extricate themselves from financial commitments which are seen to be unsustainable. The safety-net on which many have relied for support in times of adversity is seen increasingly to be ungenerous and inadequate.

The upshot has been the emergence for the first time of an Australian underclass, similar in most respects to those which have also emerged in the United States of Ronald Reagan and George Bush and the Britain of Margaret Thatcher. Failing a new approach, hundreds of thousands of Australians will in future experience lifelong unemployment. Far from either the public or private sectors responding adequately to these great structural problems, both are seen widely as compounding them. Where jobs should be created they are instead being destroyed. The New Poverty and the New Inequality cry out for remedies and solutions which so far have not figured on the agendas of either government or opposition parties. The differences between the 1890s and the 1990s in these respects are less striking than their similarities.

## **Mutualism**

Our forefathers in nineteenth century Britain faced problems of endemic unemployment, underemployment, poverty and inequality which - in kind if not in degree - strikingly resemble those of today. Then too governments could offer no effective alternative. The times gave rise instead to the philosophy of mutualism which now brings this convention together. Great mutualist movements emerged, with a shared, unshakeable belief

in "Each for all and all for each". Mutualism should be understood as acting in co-operation with one another to achieve objectives which are unachievable for us as individuals. Successful mutualist movements are almost always a response to genuine and specific needs. The Rochdale Pioneers, for example, established their co-operative store in Toad Lane in response to a pressing social need for affordable access to such household requisites as food, fuel, light and clothing.

Credit co-operatives were a response to the need for affordable carry-on loans for smallholder farmers and later for affordable consumer finance. Friendly societies were initially a response to the need for burial benefits, and, later, unemployment benefits, sickness benefits and medical care. Access to affordable life assurance was offered by mutual societies, as was access to affordable home loans by building societies. Processing and marketing co-operatives met a pressing social need on the part of farmers to capture value added to their produce beyond the farm gate. Worker co-operatives were a response to the need for labour to hire capital rather than capital labour and so for workers to be the owners of their jobs. Trade unions were originally mutualist bodies or co-operatives formed by employees in response to the pressing social need to obtain a just price for their labour.

The usefulness of all these institutions, and the validity of their mutualist principles, is evidenced by their survival. They have endured - and skilfully adapted themselves to new needs and challenges - in the face often of hostility on the part of the professions, the indifference and incomprehension of governments and the short memories of many who in the past figured among their most notable beneficiaries. For example, Australia's credit unions now have more than three million members - one in every six of our population - and assets totalling around \$18 billion. The membership of credit co-operatives affiliated with the World Council of Credit Unions is in excess of 44 million. The 1992 Friendly Societies' National Report lists no fewer than 21 major areas of activity in which friendly societies are currently engaged.

The success of the Victorian Friendly Societies Pharmacy Co-operative - established as recently as 1982 - clearly exemplifies what can be achieved from small beginnings. The pharmacy

co-operative now operates two dispensaries of its own, and provides management services for a further twelve dispensaries. The financial strength of the venture totals in excess of \$5.5 million. The current assets of friendly societies all told are in excess of \$9 billion. Co-operatives affiliated with the International Co-operative Alliance - the world umbrella body for the co-operative movement - currently total more than 650 million members. Taking into account the worldwide membership of friendly societies and building societies, mutualism is a movement numbering more than a billion people. Add to this the policy holders of the great mutual assurance societies who are also - if not for much longer - members of those societies, and the number becomes still more impressive. Mutualism rivals in its following many of the world's major religions.

It is appropriate at this time to ask whether a New Mutualism - intellectually revitalised, its sense of purpose renewed, restated in contemporary terms and able to build on solid and longstanding foundations - may not remain at least as relevant to our current situation as it was to those whose demands mutualism has met so triumphantly in the past. There are some outstanding examples of the success of mutualism in enabling ordinary people to house themselves, to bring about the economic development of the communities of which they are a part and to provide themselves with jobs. I refer in particular to the great common equity rental housing co-operatives of Ontario in Canada, to the Desjardins credit co-operatives in Quebec in Canada, and to the great industrial co-operatives at Mondragon in Spain. There is no doubt that the need for jobs, local economic development and affordable rental accommodation will be as real and urgent in the years immediately ahead of us as was the need for affordable food and clothing in eighteenth and nineteenth century Britain, or for affordable consumer finance in Australia in the nineteen-fifties and nineteen-sixties.

### **Rental housing co-operatives**

Housing co-operatives which I visited in Toronto in Canada, in 1989, prided themselves on having eliminated what they saw as being "the high price of individual home ownership and the unpredictable rent increases, insecurity and anonymity that come with living in rental housing". Unlike rents, they argue, the

monthly housing charge in a co-op rises only with increases in operating and mortgage servicing costs. There are no profits or re-financing costs to be paid for. In most areas, over time, the co-op housing charges will fall below the rents charged for private rental accommodation of the same quality. Co-op housing, in the view of the co-ops, gives residents an equal voice in the decisions affecting their homes. There is no landlord. Co-op housing, it is argued, provides a unique opportunity for people to build a community and to share and assist each other in ways beyond meeting their housing needs. Democratic control, it is said finally, guarantees that money budgeted for maintenance is spent on maintenance, and not skimmed off for extra profit while the property deteriorates.

All these Canadian housing co-operatives were independent, self-directing, incorporated organisations. The people living in the co-operative apartments, town houses or free-standing homes made up their memberships. Each resident member had one vote in the affairs of the co-operative. Every year, the members elected from among themselves a board of directors to manage the co-operative. The monthly charges paid by members represented the cost to the co-operative of its mortgage, property taxes, reserves for future repairs and other operating costs. Since the members themselves owned the property, there was no requirement for a profit margin. Members made a small down-payment for shares or a membership fee - together with a maintenance guarantee and their first and last month's housing charges - when they took up residence. Government assistance was provided in the form of interest-free loans and mortgage guarantees under Federal and Federal-Provincial Housing Programs; as it was also through interest-free loans for up to 35 per cent of capital costs under a Provincial housing programme. The government required in return that at least 25 per cent of each co-operative's members should be eligible by income for welfare rental subsidies. The Woodsworth Co-operative - where much of my visit was spent, and to which I have since returned - was in compliance with this requirement, and 44 per cent of the residents of the nearby Windmill Line Co-operative were subsidy recipients.

A recent social audit of the Woodsworth Co-operative established that 19 per cent of its members had annual incomes

under \$10,000; as did 12 per cent incomes between \$10,000 and \$19,900; 27 per cent incomes between \$20,000 and \$29,900; 19 per cent incomes between \$30,000 and \$39,900 and 17 per cent incomes in excess of \$40,000, including some in excess of \$100,000. Seventeen per cent of the Woodsworth residents were aged between 19 and 29, as were 38 per cent between 30 and 39; 26 per cent between 40 and 49; 10 per cent between 50 and 59; and 9 per cent over 60. In the view of 84 per cent of the Woodworth residents, the co-operative had "a good mix of members from different ethnic, cultural and national backgrounds", and the co-operative was currently considering a recommendation from its Social Audit Committee that a unit should be set aside for a refugee family.

Eighty-five per cent of the members felt that their housing charges were "just right". The quality of the accommodation was rated as good or excellent by 88 per cent of the residents, as was the maintenance service by 73 per cent of the residents. Good neighbourhood was a reason for living in the co-operative mentioned by 85 per cent of the residents; as was low cost housing by 78 per cent; inability to own private housing by 69 per cent; and security of tenure by 66 per cent. Seventy-four per cent of all parents reported that the co-operative was a good place to bring up children, as did 82 per cent of single parents that it was a good place to be a single parent and 95 per cent of senior citizens that it was a good place for them. Forty per cent of the members had run for office within the co-operative, although the 31 per cent of households with incomes under \$20,000 accounted for only 11 per cent of current and former office-holders. It is at least open to question whether any survey of Australian housing - public or private - would disclose comparable causes for satisfaction. The reality of our situation is that a significant switch of resources from public to co-operative housing would be highly cost-effective. Social dysfunction would be massively reduced. Rental housing in Australia currently is crying out for the mutualist approach.

### **The Desjardins Credit Co-operatives**

The Movement Des Caisses Desjardins began in Levis in Quebec in 1900, at the instigation of Alphonse Desjardins. Desjardins

was a *Hansard* reporter for the Quebec provincial parliament, and later a Clerk reporting of the Canadian parliament in Toronto. His conscience was aroused by the poverty and unemployment which were driving away large numbers of his fellow citizens to the United States in search of work. He was appalled also by the inability of working people and farmers to borrow at interest rates which were within their means. His original *caisse* or credit union - La Caisse Populaire De Levis - was seen by him as "putting the savings of the people at the service of the people". As in all credit unions, members pooled their savings, and took turns for affordable loans. The first transactions were conducted on 23 January, 1901, at Desjardins' home, which remained the nerve-centre of the movement until his death in 1920, and is now preserved in his memory as a museum by La Societe Historique Alphonse-Desjardins. *Caisse* members, Desjardins believed, would be encouraged to practice thrift and financial responsibility. Christian and humane values would be fostered. Usury would be discouraged. In time, *caisses* would form federations, and a great movement would emerge.

Desjardins' dream is now a reality. The Movement Des Caisses Desjardins consists today of *caisses* populaires or community credit unions, and *caisses* d'economie or industrial credit unions. Individual *caisses* populaires within Quebec are grouped regionally in 10 federations. There is a separate federation for the *caisses* d'economie, and three auxiliary federations for *caisses* populaires outside Quebec. The functions of the federations are to promote the effectiveness, growth and development of their affiliated *caisses*, and provide joint services such as communications, technical support, training and human resources management. The federations comprise in turn La Confederation Des Caisses Populaires et D'Economie Du Quebec.

The Confederation sets objectives for the movement as a whole, after extensive consultation with the *caisses* and their members. It is also a service provider for the *caisses* and federations, in part through wholly-owned subsidiary companies. Direct clearing within the Canadian payment system and at the Bank of Canada is made available through La Caisse Centrale Desjardins du Quebec. A security, liquidity and mutual aid fund is operated through La Corporation De Fonds De Securite De la Confederation Desjardins. Majority interests are held on behalf

of the Confederation by La Societe De Services Des Caisses Desjardins in four companies providing respectively security services, plastic card services, information technology services and an automated system of authorisation and payment for pharmaceutical services, and by La Societe Financiere Des Caisses Desjardins in four intermediary companies with subsidiaries offering general insurance, life assurance, trust and investment management services and corporate financing services.

To this point, nothing about the Desjardins caisses has differed significantly from credit unions as they operate currently in Australia. What is novel in Australian terms is the adoption by the caisses of economic development and job creation as key aspects of their services to their members, through subsidiary companies established for the purpose by the confederation. Investissement Desjardins is a wholly-owned holding company through which the Confederation backs the development of industrial and commercial enterprises and participates actively in Quebec's economic growth. Three subsidiary bodies invest on the company's behalf.

The objectives of the first subsidiaries - Tremplin Desjardins - are set out as:

- to support the development of Regional Investment Funds;
- to support high-tech businesses, in industries such as communications, electronics, health care and the environment;
- to assist businesses associated with the Desjardins movement in gaining access to international markets; and
- to act as a consultant for regional federations on investment in corporations within their regions.

It is hoped that, within five years, there will be ten Regional Investment Funds, with assets of the order of \$100 million. Tremplin Desjardins is to invest in the Funds in conjunction with three financial partners, namely:

- La Caisse de Depot et Placement du Quebec (a semi-public corporation managing funds for the Quebec Pension Plan);
- Le Fonds de Solidarite des Travailleurs du Quebec (a trade unions investment fund) and
- The National Bank of Canada.

The second subsidiary - Capital Desjardins - seeks out entrepreneurs who have proven capacities for making their businesses grow and become profitable, and who need additional strategic and financial support for acquisition, expansion or diversification projects. The third - Gestion Desjardins - acquires or maintains majority or preponderant shareholdings in large companies which are actual or potential leaders in their sectors and should be owned in Quebec. A further holding company - La Societe Immobiliere Des Caisses Desjardins Inc. - will ultimately systematise investment by the Confederation in real estate. Caisse capital is supplemented for Investissement Desjardins through overseas initiatives. The organisation's president, Raymond Gagne, sees its international thrust as having three objectives: "to find foreign investors to become partners in Quebec businesses, open foreign doors to Quebec businesses and stimulate foreign investment in Quebec".

The movement also participates vigorously in international aid and development projects through the Societe De Development International Desjardins, and within Quebec fosters education, culture, social action and the development of the co-operative ideal through the Foundation Desjardins and the Centre de Formation Desjardins. So successful - and so popular have the caisses become that in 70 per cent of the communities which make up Quebec they have no competitors. The Movement Des Caisses Desjardins now comprises 1,329 caisses populaires and caisses d'economie, with 4.9 million members and assets totalling \$42.6 billion. In Australia as in Quebec, the cry of local communities is for the means to bring about local economic development and put back to work the unemployed.

### **The Mondragon Co-operative Corporation**

The essentials of the Mondragon story are simple. From a standing start in 1956 the Mondragon co-operatives - now the Mondragon Co-operative Corporation (MCC) - have grown to the point where they are now the largest business group in the Basque region of Spain, the fifteenth largest business group in Spain and a major competitor in European and global marketplaces. What began forty years ago as a handful of workers

in a disused factory, using hand tools and sheet to make oil-fired heaters and cookers, has now become a massive conglomerate of some 160 manufacturing, retail, financial, agricultural and support co-operatives. Annual sales are now approaching - and will shortly exceed - \$US6 billion. The MCC report for 1996 shows that sales of manufactured goods were up on 1995 by 15.9 per cent, assets by 20.5 per cent and profits by 33.1 per cent. All told, the MCC provides jobs for roughly 6 per cent of the Basque region's, 1,000,000 workers. While the region has lost 150,000 jobs since 1975, and the level of unemployment is currently around 25 per cent, employment in the co-operatives increased in 1996 by a further, 2,684, from 27,950 to 30,364. Fewer than 10 per cent of the co-operatives have failed to become going concerns, as opposed to the 92 per cent of all new businesses which currently last under ten years.

Export sales of MCC products in 1996 were up on 1995 by 18.4 per cent and grew from 39 per cent to 44 per cent<sup>4</sup> of total sales. The MCC is Spain's largest exporter of machine tools and the largest manufacturer of white goods such as refrigerators, stoves, washing machines and dishwashers. It is also the third largest supplier of automotive components in Europe - designed by General Motors in as "European Corporation of the Year" - and a leading supplier of components for domestic appliances. Whole factories are designed to fabricate to order in Mondragon, for buyers overseas. Subsidiaries operated by the MCC in conjunction with overseas partners manufacture semi-conductors in Thailand, white goods components in Mexico, refrigerators in Morocco and luxury motor coach bodies in China.

MCC construction co-operatives carry out major civil engineering and building projects at home and abroad, the building of key facilities for events such as the Barcelona Olympic Games. The steel structure for the new Guggenheim Museum in Bilbao - a building comparable in stature to the Sydney Opera House - was fabricated by a Mondragon co-operative. The MCC also includes Spain's largest and fastest-growing retail chain - Eroski - which currently operates 37 Eroski and Maxi hypermarkets, 211 Consum supermarkets, 419 self-service and franchise stores and 333 travel agency branches. The MCC financial co-operatives - the Caja Laboral credit union and the Lagun-Aro social insurance co-operative - are among Spain's

largest financial intermediaries.

To what causes are these great achievements attributable? The answer can be summed up as the adherence by the co-operatives to mutualist principles. The success of the MCC stems in the first instance from the fact that every worker is an equal co-owner of the co-operative where he or she is employed with an equal say on a one-member-one-vote basis in the governance of the co-operative and an equal share - proportionate to salary - in its profits or, on occasion, losses. Secondly the manufacturing or primary co-operatives are serviced on a mutualist basis by a unique system of secondary support co-operatives. The aim of the secondary support co-operatives is to make the MCC self sufficient in regard to key requirements such as capital, education and training and research and development. Pursuant to mutualist principles, the secondary support co-operatives are owned and governed jointly by their workers and the primary co-operatives which source services from them. Profits distributed to workers in the secondary support co-operatives are linked to those of the manufacturing co-operatives. Thirdly, Mondragon can be understood in a key sense as being about credit union driven regional economic development. The Mondragon credit co-operative was largely responsible for mobilising the local and regional capital for the development of the co-operatives, and through its Entrepreneurial Division provided them with financial services and management support. Tested against the principles of co-operation - democracy, voluntarism, autonomy, equity, mutuality, universality and the capacity to evolve - Mondragon emerges with flying colours. Clearly somebody is doing something spectacularly right.

### **Re-inventing credit unionism**

Are there then lessons for credit unions and mutualist bodies more generally in Australia in the Ontario, Desjardins and Mondragon experiences? Five lessons in particular spring to mind. The first lesson is that mutualist bodies no less than bodies in the public and private sectors must be prepared today to constantly re-invent themselves in the face of changing circumstances. In particular, mutualist bodies must be prepared to re-position themselves in the face of changes in the pressing

social needs to which they are a response. There is no point in continuing to cater for a need which no longer exists or is being met as well or better from another source. The most useful way of thinking of mutualist bodies may well be as accumulations of scarce social capital whose use changes over time with changing circumstances and priorities.

I am reminded in this respect of a co-operative I visited recently in Detroit. The co-operative in question was formed in the nineteen-thirties in response to a pressing social need for affordable, hygienic household milk delivery services. When the corporate dairies moved in with comparable services at a comparable price, the co-operative re-invented and re-positioned itself so that the social capital it had accumulated was applied to meeting a pressing social need for affordable optometrical testing and the supply of spectacles. When this function in turn was taken up by the optometrical corporations, a further re-invention of the co-operative took place. The co-operative at this point re-tasked itself to meet a pressing social need for accommodation and support services for older people. It now operates condominiums - large apartment blocks - for older people across America. Each condominium is now a free-standing, self-governing co-operative in its own right, within the over-arching co-operative structure.

What is important here is that a growing body of social capital has been kept intact over more than half a century. The pressing social needs of today are being met by the co-operative as effectively as were the very different needs which were responsible originally for its inception. The lesson for Australia's credit unions is plain. The pressing social need for affordable consumer finance which brought about the establishment of credit unions in the nineteen-fifties and nineteen-sixties is today being catered for no less effectively by banks and other financial intermediaries. As has been seen, the pressing social need our members are experiencing currently is for regional economic development and jobs. What the Desjardins and Mondragon experiences exemplify with triumphant success is credit union driven mobilisation of local and regional capital for local and regional economic growth. Not the least exciting advantage for credit unions from the adoption by the Australian government of the recommendations of the Wallis committee is the extent to

which the way is now clear for us to follow more closely the example of our Desjardins and Mondragon counterparts.

### **Entrenching mutualism**

The second lesson follows from the first. It is that accumulations of social capital such as have been created in credit unions and other mutualist bodies are far too scarce and precious for us to allow them to be dissipated. It is vital that mutualist bodies should now entrench their mutualist character and principles so that the accumulations of social capital created by successive generations of their members should not now be pillaged as we have seen happen in the case of great mutual assurance bodies such as National Mutual and the AMP, and was only so narrowly averted in the case of the NRMA. The situation is the same irrespective of whether the threat is from an external corporate raider such as the one who recently - and thankfully unsuccessfully - attempted to take over part of the great consumer co-operative movement in Britain, or from a greedy management intent on bribing members into a shameful betrayal of their obligation to hold in trust the assets they have inherited from their predecessors and should in turn pass on to those who come after them.

The looting of the mutual assurance societies is an act of larceny on a scale so vast as to dwarf those of the Bonds and Skases of the nineteen-eighties. We should not fail to take warning from the mutual assurance debacle. Credit unions are now in many instances so large, their assets so considerable and their memberships so passive as to present a serious temptation to managers who have not necessarily grown up in the movement or been sufficiently exposed to its mutualist principles. Who but a saint would not be tempted by the example of the Managing Director of the AMP, Mr George Trumbull, in standing to enrich himself to the tune of \$10 million from the abrogation of the mutualist principles he was employed to uphold?<sup>5</sup>

All of us who have at heart the well-being of credit unions and credit unionism should therefore be deeply - even desperately - concerned that the in many respects excellent Wallis Reports Issues Paper No. 2 released by the Credit Union Services Corporation recently under the title "Capital and Mutuality"

recommends at page eight that members, as owners, must have the right to decide to de-mutualise their credit unions if they so choose.<sup>6</sup> The proposed deterrent - that a demutualised credit union should no longer be allowed to call itself a credit union - is totally inadequate. The issues paper in this respect gravely misunderstands or misrepresents the relationship between credit unions and their members. We are the trustees for assets which others before us created, to which we therefore have no moral entitlement and from which others after us are entitled to benefit no less than ourselves. In a nutshell, credit unions and other mutualist bodies are trustees in regard to their assets not for the living alone, but also for the dead and the unborn. To again adapt a phrase from a wholly different context, "People who genuinely have at heart the well-being of credit unionism will not want to abrogate the duty of trust they owe to their credit unions. Others must not". In the event that a credit union or other mutualist body has to be wound up, it should be axiomatic that the assets are transferred to another mutualist body where their purpose as social capital can be properly protected and preserved.

### **Mutualist unity**

Thirdly, the unity and identity of mutualism as a movement needs desperately to be restored. The high price of fragmentation and disunity is nowhere better exemplified than in the aftermath of the collapse of the Pyramid building society. The response of building societies, friendly societies and credit unions was then less effective by far for being largely unco-ordinated. There was no tradition of co-operation between mutualist bodies on which those directly in the firing line could draw for support. By and large, those mutualist bodies not directly threatened - namely the general co-operatives and mutual assurance societies - sat on their hands. "Each for all and all for each" should apply to the mutualist sector as a whole, as well as to its component parts and individual members. Our actions as a movement should not be seen to contradict our principles.

Fourthly, mutualism needs a higher public profile. The public are mostly unaware of the existence of mutualism, the principles for which we stand, or what mutualism can offer them. The

major political parties fail consistently to sufficiently understand or value mutualism. The Labor Party in this respect has been no less culpable than the conservative. I remain to this day appalled and saddened that the reaction to the Pyramid Affair by the then Labor Attorney-General of Victoria, the Honourable Jim Kennan, QC - was to solicit recommendations for the regulation of building societies, friendly societies and credit unions from a firm of chartered accountants who knew nothing about mutualism and cared less. The recommendations of the accountants were then accepted uncritically, despite the fact that they would have had the effect ultimately of destroying the bodies whose solvency and liquidity they purported to protect.

It remains a major source of satisfaction to me that the Caucus Co-operatives Committee of which I was at the time a member was successful in staving off the consequent legislation. A Christmas parliamentary recess intervened, and wiser counsels prevailed. The Act which found its way eventually on to the Statute Book was less destructive by far - and also less patronising and paternalistic - than otherwise inevitably would have been the case. It is appropriate at this point to acknowledge the enormous debt which all of us in this respect now owe to the Credit Union Services Corporation for its success in the context of the Wallis Inquiry in gaining for credit unions what is perhaps their greatest measure of independence from government since regulation was first introduced. We should now look to the Credit Union Services Corporation - the leading entity within Australia's leading mutualist movement - to take the initiative with measures to bring back together all Australia's mutualist bodies. There should be - at the least - a standing consultative committee of mutualist bodies which ensures that mutualism is thoroughly understood, highly valued and - above all - acknowledged to be independent of government both by all our political parties and by the wider community.

### **New opportunities**

The fifth and final lesson is that as old doors close - as old opportunities vanish - new ones are constantly becoming available. This is nowhere more true than in the establishing of strategic alliances. Credit Care is a case in point. Thanks to the

three-way Credit Care partnership between the Credit Union Services Corporation, the Australian Government and the Government of NSW, credit unions have had significant success in filling the vacuum which has been left behind by the closing of banks in regional and country centres. In the process, links have been formed with local councils and communities which may in the future become the basis for the major involvement by credit unions in regional economic development which so high a proportion of our members so plainly require of us.

In a wholly different sphere, I was struck in Britain recently by the interest which Tony Blair's new Labour Party government there is taking in the use of mutualist bodies such as friendly societies to deliver a second-tier system of compulsory contributory retirement pensions. Given the involvement of Australian credit unions in the delivery of superannuation products, there is no reason why we should be any less qualified than friendly societies for delivering such second-tier pension arrangements as Australian governments may in time come to favour. In Mondragon I saw related arrangements in operation. The Mondragon social security secondary support co-operative - Lagun-Aro - delivers core social security benefits on behalf of the Spanish government to members of its affiliated co-operatives, which it then tops up on a generous scale with benefits from its own resources. (It may well be that the notably prescient 1984 study of friendly societies by David Green and Lawrence Cromwell - *Mutual Aid or Welfare State: Australia's Friendly Societies* - should now be required reading for all those of us who would like to see credit unions retain their current position as Australia's pre-eminent mutualist bodies.<sup>7</sup>)

## Conclusion

Standing by the grave of the father of the co-operative movement and father of mutualism, Robert Owen, as I did in the northern summer of 1989, it seemed to me that nothing about mutualism as we know it today would in any way have been unfamiliar or unacceptable to Owen. I was then as now reminded that we in the mutualism movement - be it through credit unions, building societies, friendly societies, general co-operatives or mutual assurance societies - are the custodians of perhaps the most

powerful idea ever to have been given rise in human history. I was reminded also of Victor Hugo's prophetic observation that nothing is so powerful as an idea whose time has come.

At a time when the advocates of the statutory corporation school of state socialism, and their "greed is good" counterparts in the corporate sphere, have simultaneously, permanently and irrevocably discredited themselves, the way is open for mutualism in all its forms to assume the larger role - locally, nationally, regionally and on a worldwide basis - to which its merits so plainly entitle it. What has been identified mistakenly by some as marking an end to history marks potentially the birth of new opportunities and applications for mutualism. My subject today - credit unions and the New Mutualism for which our troubled times cry out - is one aspect of the on-going effort which our movement now requires of us, so that the dream of Robert Owen can, at long last, be brought finally to fruition. The events of recent years, and the problems which the world now finds confronting it, have opened up for us, as a movement, a window of opportunity such as we have not previously experienced - and which, if it is not grasped now, may never be seen again.

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## Notes

- <sup>1</sup> Kelly P. *The End of Certainty: The Story of the 1980s*, 1992, Allen & Unwin, Sydney.
- <sup>2</sup> Mackay H. *Reinventing Australia: The Mind and Mood of Australia in the 90s*, 1993, Angus and Robertson, Sydney. p.6.
- <sup>3</sup> Ibid, p.138.
- <sup>4</sup> Mondragon Corporacion Cooperativa 1996. *Annual Report*. Mondragon. The MCC Corporate Centre. pp.5-7, 16, 38-41.
- <sup>5</sup> Hyland A. 1997. "rumbull Set to Earn Huge Money as Chief. Melbourne. The Age. 8 October, 1997. p.B1.

- <sup>6</sup> Credit Union Services Corporation. *Capital and Mutuality*. 1997. Sydney. Wallis Report Issues Paper No. 2. p.8.
- <sup>7</sup> Green D. and Cromwell L. *Mutual Aid or Welfare State: Australia's Friendly Societies*. 1984. Sydney. George Allen & Unwin.