# THE CREDIT UNION MOVEMENT ... THEN & NOW

## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHAT IS A CREDIT UNION</td>
<td>3</td>
</tr>
<tr>
<td>THE INDUSTRIAL REVOLUTION AND CO-OPERATIVES</td>
<td>3</td>
</tr>
<tr>
<td>THE STRUGGLE FOR SURVIVAL</td>
<td>4</td>
</tr>
<tr>
<td>A NEW ERA DAWNS</td>
<td>5</td>
</tr>
<tr>
<td>ROBERT OWEN – THE FATHER OF CO-OPERATION</td>
<td>5</td>
</tr>
<tr>
<td>THE ROCHDALE SOCIETY OF EQUITABLE PIONEERS</td>
<td>5</td>
</tr>
<tr>
<td>THE ROCHDALE PRINCIPLE OF CO-OPERATION</td>
<td>6</td>
</tr>
<tr>
<td>THE BIRTH OF FINANCIAL CO-OPERATIVES (CREDIT SOCITIES) IN EUROPE</td>
<td>8</td>
</tr>
<tr>
<td>THE CREDIT UNION CONCEPT DEVELOPS</td>
<td>10</td>
</tr>
<tr>
<td>FREDERICK WILHELM RAIFFEISEN – THE FATHER OF THE CREDIT UNION MOVEMENT</td>
<td>10</td>
</tr>
<tr>
<td>THE CREDIT UNION CONCEPT SPREADS TO EUROPE</td>
<td>10</td>
</tr>
<tr>
<td>CREDIT UNIONS COME TO NORTH AMERICA</td>
<td>11</td>
</tr>
<tr>
<td>ALPHONSE DESJARDINS – FOUNDER OF CAISSE POPULAIRES</td>
<td>11</td>
</tr>
<tr>
<td>EDARD FILENE – FATHER OF THE US CREDIT UNION MOVEMENT</td>
<td>12</td>
</tr>
<tr>
<td>CREDIT UNION MOVEMENT TAKES HOLD IN THE CARIBBEAN</td>
<td>14</td>
</tr>
<tr>
<td>THE CREDIT UNION MOVEMENT COMES TO JAMAICA</td>
<td>15</td>
</tr>
<tr>
<td>THE LEGACY OF FATHER JOHN PETER SULLIAN</td>
<td>15</td>
</tr>
<tr>
<td>THE FIRST CREDIT UNION IS FORMED IN JAMAICA</td>
<td>16</td>
</tr>
<tr>
<td>THE CREDIT UNION MOVEMENT VISITS PORT ROYAL</td>
<td>16</td>
</tr>
<tr>
<td>THE MOVEMENT STRENGTHENS</td>
<td>17</td>
</tr>
<tr>
<td>BUILDING CONTINUITY THROUGH YOUTH TRAINING</td>
<td>17</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>18</td>
</tr>
</tbody>
</table>
WHAT IS A CREDIT UNION

A credit union is a co-operative financial institution, which is owned and controlled by its members. Credit unions are not-for-profit, and exist to provide a safe, convenient place for members to save money and obtain loans and other financial services at competitive rates. Members of a credit union share a common bond, such as their occupation, where they live or attend church.

THE INDUSTRIAL REVOLUTION AND CO-OPERATIVES

The modern co-operative movement has its genesis in Great Britain in 1844 when the economic landscape was changed as a consequence of the Industrial Revolution. Technical advances resulted in replacement of the traditionally agrarian economy with machinery. The social landscape was also altered as balance of political power shifted from landowners to industrial capitalists and a new urban working class emerged.

These changes had dire economic and political consequences, particularly for the poor. Workers in traditionally agricultural jobs suffered decreased wages as mechanization made production cheaper and more efficient. To compound the problem, wealthy industrialists, who had no interest in improving wages or working conditions had control of the political landscape.

Prior to the industrial revolution workers supplemented their earnings by doing farming on common lands designated for this purpose. However, policymakers now denied them this opportunity along with the right to organise labour unions. Workers were also required to buy or credit goods at company stores, which often provided inferior products at inflated prices.
THE STRUGGLE FOR SURVIVAL

Between 1838 and 1848 workers struggled in vain to secure better working conditions and have labour and property laws reformed through the Chartists Movement which had its foundation in the "People's Charter" of 1838.

The charter developed by William Lovett for the London Working Men's Association was a public petition aimed at redressing omissions from the electoral Reform Act of 1832. It quickly became a rallying point for social and economic reform. Although thousands of people supported the Charter, Parliament turned down their proposals on three occasions eventually leading to their downfall.

Later, efforts were also made to organize labour unions and exert influence by striking. While these unions eventually became powerful and recognized by law business owners used their power to side-line unionised workers.

Karl Marx’s philosophy that the industrial system would be overthrown and wealth redistributed to the masses was also considered as a way out of the struggle for survival. However, this belief failed to garner much support in contrast to their counterparts in China and Russia.
A NEW ERA DAWNS

ROBERT OWEN – THE FATHER OF CO-OPERATION

Robert Owen (1771-1858) known as the 'Father of Co-operation' and of British socialism was born in Newtown, Wales. Owen worked in London and Manchester and became the manager of the mills of the New Lanark Twist Company in 1800.

He was extensively involved in work to limit child labour in factories and set up co-operative communities in the UK and America. In 1816 Owen outlined his plans for "co-operative villages", where residents would live and work in harmony in a "new moral commonwealth."

Despite many appeals to the Government, his requests for financial assistance were rejected. However, Owen established several "Owenite" co-operative communities based on the American model, including one at New Harmony, Indiana, in 1825. Unfortunately none of these communities was successful.

Prior to setting up these villages he launched his magazine The Economist, in 1821 bearing the co-operative motto, "Each for All and All for One." He later attempted to fuse trade unionism with co-operative principles by organising the Grand National Consolidated Trades Union in 1830, however this collapsed a year later.

Despite these obstacles Owen’s ideas bore fruit in the international co-operative movement, launched at Rochdale, England, in 1844. Owen died on November 17, 1858, in his hometown, Newtown.

THE ROCHDALE SOCIETY OF EQUITABLE PIONEERS

The idea of people working together and relying on each other to survive economically began to take shape leading to the formation of "friendly societies" or "co-operatives societies". Members would pool resources to garner enough capital to open their own mills, bakeries and stores. Goods were then sold at market prices and the surplus revenue redistributed to members.
Many co-operatives experienced difficulties in establishing themselves and later collapsed; these include Sheerness Economical Society, Brighton Co-operative Benevolent Fund Association and London Co-operatives and Economical Society.

However, this changed in 1849, when twenty-nine (29) weavers pooled their resources and opened the first successful consumer co-operative, the Rochdale Society of Equitable Pioneers, on Toad Lane, Rochdale, England. These early pioneers sacrificed personal profits to provide goods and services to their customers.

**THE ROCHDALE PRINCIPLE OF CO-OPERATION**

In bringing their social vision to life, the Rochdale pioneers developed specific guidelines for the operation of their co-operatives. These principles, which are outlined below, are now referred to as "The Rochdale Principles of Co-operation":

1. **Voluntary and Open Membership**
   
   Co-operatives are voluntary organizations, which are open to all persons without regard to their gender, social, racial, political, or religious orientation.

2. **Democratic Member Control**

   Each member of a co-operative has equal voting rights (one member, one vote) and actively participates in making decisions and establishing policies. Elected representatives should operate with integrity and are accountable to the members, which they serve.

3. **Member Economic Participation**

   Members contribute equitably to, and democratically control, the capital of their co-operative.
   
   - Co-operatives do not pursue speculative investments to secure profits at the expense of its members.
• Net savings from the operations of a co-operative is distributed equitably among members.
• Surplus may be used for the further development of the co-operative, provision of new services to members or distributed to members in proportion to their savings.

4. **Autonomy and Independence**

Co-operatives are autonomous, self-help organizations, which are managed by their members.

5. **Education, Training, and Information**

Co-operatives provide training and education for their members, elected representatives, managers, and employees in the principles and techniques of co-operation. This will assist in securing business continuity as persons who understand the social vision of co-operatives can play a more active role in its development.

It is for this reason, information is also provided to members, the general public; particularly youth, about the nature and benefits of co-operation.

6. **Co-operation Among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7. **Concern for Community**

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.
The birth of the co-operative credit movement in Europe was fuelled by people’s quest for improvement in their standard of living in the wake of the Industrial Revolution.

Hermann Schulze-Delitzsch (1808-1883) was born in Deltzch to an affluent family. In 1850 Schulze-Delitzsch, then a civil servant, began organizing credit co-operatives to assist persons who were affected by food shortages, crop failure and the 1846 famine. He was instrumental in creating a co-operatively owned mill and bakery, which sold bread to its members at substantial savings.

In 1852 he formed the first “people's bank” or credit union in Germany and organized a Loan Association with one hundred and forty dollars ($140) in start-up capital, contributed by his friends. This association was different from charitable organizations in that borrowers had to be members who were required to pay five cents (5c) per month to its capital.

Several principles for managing the financial co-operative which still guide the manner in which credit unions operate today were developed:

a) Members made loans to each other at reasonable interest rates through the pooling of funds.

b) Members were all connected in some way (common bond), either they lived in the same community, attended the same church or worked at the same place. Therefore they would be borrowing their own money and that of their friends.

c) Members were encouraged to save by being awarded dividends on deposits, thereby making funds available for loans.

d) Loans were solely for productive reasons and were granted based on the borrower’s character rather than on mortgage chattel or collateral. Loans would be endorsed by two (2) members of the association and must be repaid within three (3) months.

e) Membership was based on character rather than on occupation or social class.

f) Strong emphasis was placed on democratic control; therefore, decisions were arrived at in a general meeting comprised of the entire membership. Members were each entitled to one vote, which was equal to that of other members regardless of shareholding.

g) All members were required to participate in the routine affairs of the organisation such as signing promissory notes and passbooks.

h) Subordinate committees, which were appointed when the association was being formed, managed particular aspects of the association.

i) A general committee, comprising of president, treasurer, secretary and nine members were elected at the annual meeting.
Associations, which adopted these principles, were called People's Banks, a savings bank managed by its depositors. These became a popular route for escaping poverty and usury and began to be viewed as catalysts for social change.
THE CREDIT UNION CONCEPT DEVELOPS

FREDERICK WILHELM RAIFFEISEN – THE FATHER OF THE CREDIT UNION MOVEMENT

Born March 30, 1818, Frederick Wilhelm Raiffeisen; ‘The Father of the Credit Union Movement’, was motivated by the desire to assist poor farmers in Hamm, Rhine Province who were in the grip of loan sharks. Then a Lutheran layman and mayor of Flammersfield, Germany Raiffeisen conceived the idea of co-operative self-help.

In 1864, Raiffeisen founded Heddesdorf Credit Union, the first co-operative lending bank. His goal was to provide credit to farmers to purchase livestock, equipment, seeds and other farming supplies. Five (5) years later he formed Flammersfield Society where he developed the principle that surplus was not to be distributed to members until a reserve fund was established.

In contrast to the Schulze-Delitzsch model of loan societies that was based on the promotion of self-sufficiency, Raiffeisen’s operations were based on the Christian principle of brotherly love.

Schulze also believed that membership could come from a diverse areas and focused on assisting urban workers and shopkeepers. Having a different view, Raiffesen restricted membership to small districts and parishes and gravitated to assisting small farmers.

In 1872, Raiffesen organized the Rhein Agricultural Union Bank, which served as a central banking institution, and had oversight for local credit unions. He later formed regional and national associations and a central facility, which loaned surplus funds to other credit unions.

THE CREDIT UNION CONCEPT SPREADS TO EUROPE

The concept of co-operative credit continued to be refined in Germany and quickly spread to other European countries; Switzerland, Austria, France, Ireland.

However, in 1866 a co-operative bank, which had a new thrust; the limiting of individual members’ liability for the debts of the society, was opened in Italy.
CREDIT UNIONS COME TO NORTH AMERICA

The second half of the nineteenth century was a period of grave economic hardship for Quebec. Over 500,000 French Canadians were forced by poverty to immigrate to the textile factories of New England to escape their creditors and a life of poverty.

The modernizing of production methods and equipment, primarily in the agricultural sector had given rise to the emergence of a new commercial economy. Most farmers were unable to make the transition from subsistence farming to an economy based on such consumer products as milk, butter, cheese, and pork. Having no access to bank loans they had to turn to moneylenders who often practised usury.

ALPHONSE DESJARDINS – FOUNDER OF CAISSE POPULAIRES

While working as a parliamentary stenographer/reporter (1892-1917) Alphonse Desjardins became aware of the usurious nature of these moneylenders. On April 6, 1897 he was influenced by a member’s bill submitted by Michael Quinn, M.P. for Montréal-Ste-Anne, which prohibited usurers from charging exorbitant interest rates to desperate people. Quinn cited an example, in which a man had to pay $5000 to cover the cost of a $150 loan taken to save his family from destitution.

Alphonse Desjardins was horrified by this disclosure and decided to find a way to save the labouring class in his hometown Levi (Quebec, Canada) from a life of poverty.

Québec had financial institutions, which encouraged modest savings but were not in the business of lending money. However, on December 6, 1900, Desjardins established Levi’s first credit union ‘La Caisse Populaire de Levi which made loans available for emergency and productive purposes.

Desjardin’s based this credit union on the Italian (Luzzatti) model that pooled the resources of the agricultural and labouring communities in each parish into a local “reserve” fund and used character as collateral for loans approved by a locally elected administration.

Membership was open to all persons of good character, and women and children were included mainly as auxiliary members. New members were required to make a purchase of at least one five-dollar share. To safeguard against speculation, local branches agreed to the maximum funds, which each member could invest.
Members also elected local administrative committees, which managed the affairs of each society.

Desjardin’s work caught the interest of a group of Catholic priests in Manchester, New Hampshire. Upon their invitation, he established the first credit union in the United States in 1909, the People’s Bank of St. Mary’s in Manchester, New Hampshire.

Despite encountering fierce opposition from the Retail Merchants’ Association of Canada and the National Bank, he was successful in setting up two hundred and six (206) Caisses populaires in Québec and the U.S.A between 1900 and 1920.

EDARD FILENE – FATHER OF THE US CREDIT UNION MOVEMENT

Edward A. Filene, a wealthy department store owner in Boston and also pioneer of workplace practices such as the ‘40-hour work week’, minimum wages, profit-sharing plans, and workers’ medical insurance is the ‘father of the US Credit Union Movement.

In 1907, while in India, he learnt about financial co-operatives, which operated in small villages. Villagers pooled their money to help each other, thereby eliminating the need to borrow from unscrupulous moneylenders.

Upon his return to the USA in 1909 collaborated with Desjardins and Pierre Jay, the Massachusetts state bank commissioner to establish credit unions in America. The first of these was the People’s Bank of St. Mary’s in Manchester, New Hampshire.

Jay drafted a law, which provided credit unions with a legal foundation, and in April 1909, Massachusetts became the first state to enact a credit union law. In that same year Filene decided to use the term "credit union", rather than co-operatives bank, to describe credit co-operatives.
In July 1921, Filene created the Credit Union National Extension Bureau (CUNEBS) and hired a Massachusetts attorney, Roy F. Bergengren, to assist in effecting credit union laws in all states and at the federal level. Filene invested more than $1 million into this project. CUNEBS’s goal of establishing credit unions around the country was vastly successful.

When Bergengren began his efforts, there were only 199 U.S. credit unions. However, by 1925, fifteen (15) states had passed credit union laws and there were 419 credit unions serving 108,000 members. By 1935, 39 states had credit union laws and 3,372 credit unions were serving 641,800 members.

He appeared before state legislators and advocated for the passing of credit union laws also and initiated volunteer organizers into the "movement." Bergengren also spearheaded the banding of credit unions into leagues, which provided operational skills, financial and legal advice and lobbied for state legislation.

In 1934, CUNA (a federation of state leagues) headed by Roy Bergengren replaced the Credit Union National Extension Bureau. 1934 also saw the passing by Congress of the Federal Credit Union Act, which permitted the organizing of credit unions anywhere in the United States.

A system of dual chartering that persists today was also legislated in which credit unions could be incorporated under either state or federal law.
Before the introduction of credit unions, Caribbean people had informal co-operative systems for personal savings. Groups of people pooled their money and took turns to collect the lump sum at regular intervals.

This early form of savings was called by various names depending on the geographic region, for example; in Jamaica it was called partner, meeting (Barbados) and sous-sous (Trinidad).

These informal systems encouraged people to save regularly so funds could be used in case of emergency or for a pre-determined purpose, such as purchase of equipment.

Towards the end of the 19th century the co-operative movement, based on the English Consumer pattern, came to other parts of the Caribbean. The two earliest recorded ventures were in Guyana.

Generally, co-operative efforts in the Caribbean took the form of informal self-help projects, such as in agriculture, housing and fishing. In the early 1940s, missionaries from Canada and the USA formally introduced the concept of credit unions into the Caribbean. This was readily accepted and organized in Jamaica from 1941, Trinidad and Tobago in the early forties and in Dominica from 1951.
Father John Peter Sullivan was born in June 30, 1904 in Charlestown, Boston (Massachusetts) where he attended Boston College High School and pursued religious studies.

This influenced his decision to become a Catholic priest (Jesuit) and to take a vow of poverty as part of his covenant to the Society of Jesus.

He came to Jamaica on Sunday, August 6, 1939 on the ship S.S. Jamaica. As teacher at St. George’s College he came in daily contact with Jamaica’s working class who frequented North Street, Kingston.

Father Sullivan also performed parochial work at the Holy Trinity Cathedral where he had weekly meetings with the Catholic Young Men’s Sodality (CYMS).

He soon became director of this sodality and developed a greater understanding of the social, economic and spiritual problems facing Jamaica. For instance, average wages was a mere USD10 (just over a pound per week), which was scarcely able to meet economic needs.

Loan sharks and usurers exploited the poor, charging as much as two hundred percent (200%) per annum for each loan. Unable to repay the interest let alone the principal, the borrower would be at the lender’s mercy.

Commercial banks also charged high interest rates on loans and often refused to open accounts for the ordinary man who could only make small savings.

There were other types of co-operatives at the time, especially those that were sponsored by Jamaica Welfare founded by the Right Excellent Norman Manley (Prime Minister) in 1937 to help poor people who lived in rural areas.

In 1940, Walkerswood became the site of the first Pioneer Club in Jamaica, to be formed by Jamaica Welfare. A few years later the Lucky Hill Co-operative Farm, the first registered co-operative farm in Jamaica, was formed.
Sir Philip Manderson Sherlock, then Education Officer of Jamaica Welfare Limited actively developed and promoted the concept that; significant contribution could be made to national development through community action.

THE FIRST CREDIT UNION IS FORMED IN JAMAICA
For two (2) years after his arrival in Jamaica in 1939, Father John Sullivan and the fourteen (14)-member sodality associates had studied the principles, which guided and the operations involved in managing a credit union.

Spurred by the 1938 mass riots against poor wages and inhumane working conditions, Father Sullivan and the CYMS decided to form a credit union, which will assist in relieving the myriad social problems.

On September 12, 1941, they pooled together their shares totalling USD1.87 giving birth to Jamaica’s first credit union; the Sodality Credit Union. This credit union operated under the motto, ‘Not for charity, not for profit but for service” and offered loans at twelve percent (12%) interest and dividends at six (6%).

While this was higher than that charged and paid by commercial banks it was less than the interest rates charged by usurers.

THE CREDIT UNION MOVEMENT VISITS PORT ROYAL

The need to strengthen the movement by building it island wide led Sodality member Aston ‘Paddy’ Bailey to visit Port Royal.

There he along with Father Sullivan promoted the credit union idea to the fishermen at the pier in downtown Kingston.

After the earthquake of 1692, Port Royal had become almost like a ghost town, which was cut off from the mainland. Its residents were poor and depended upon small-scale fishing as their major source of income.

The credit union idea was therefore well accepted by residents who desperately needed a way out of poverty. In April 1943, ten (10) fishermen pooled their resources of USD150 to form the Fisherman’s Credit Union.
A year later membership had increased to 208 with a total savings of USD6000. By 1947 membership stood at 265 with accumulated savings of USD12,444 and a loan portfolio of USD27,750.

THE MOVEMENT STRENGTHENS

Father Thomas J Feeney, Jesuit Superior and President of St George’s College, developed an interest in the movement through his association with Father Sullivan. He assisted Father Sullivan by assuming his responsibility for teaching at the College.

Having more time available to dedicate to credit union formation and maintenance, Father Sullivan turned his attention to promoting the Movement to store clerks, stevedores, factory workers and civil servants to form Clerks Credit Union.

Roy Lindo, the then owner of J Wray and Nephew consented to Father Sullivan’s request to establish a credit union to serve clerical and ancillary workers at the company.

Credit unions were subsequently formed for rum workers, barmaids another for policemen, who were the most poorly paid civil servants.

Father Harry Ball, another Roman Catholic priest also shared interest in Father Sullivan’s efforts and sought his input in assisting parishioners in Linstead and adjoining areas; Ewarton, Moneague, Jeffery Town, Guy’s Hill and Donnington. Father Sullivan’s approach was to train select groups on credit union procedures.

Father Ball obtained immense knowledge on the Movement and later became instrumental in establishing credit unions in Annotto Bay (St Mary), Savannah-la-Mar (Westmoreland) and Alva (St Ann). This in turn influenced other persons to set up credit unions in other rural areas.

In 1945, Father Sullivan formed credit unions five (5) Antillean islands: St Lucia, Grenada, Curacao, Trinidad and Barbados.

BUILDING CONTINUITY THROUGH YOUTH TRAINING

In 1942, Father Feeney founded the St George’s Extension School, which prepared young people who needed extra credits to matriculate for studies at the university.

Two (2) years later, Father Sullivan took advantage of the ready market of ardent young people by hiring specialists to teach courses in co-operative credit, consumer co-operatives and co-operative housing.

This was a major triumph for the Movement in Jamaica as greater knowledge was available to the youth who would also develop an interest in becoming members.
REFERENCES

www.creditunion.coop/history/
www.googolplex.cuna.org
www.ncua.gov
www.abcul.org
www.iowacreditunions.com
www.marsacademy.com
www.woccu.org
http://collections.ic.gc.ca