

The Significance of the Common Bond In Credit Unions

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The candidate confirms that the work submitted is his own and that
Appropriate credit has been given where reference has been made
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Abstract

The thesis seeks to reveal and explain the nature of the affective relations encapsulated within the 'common bond' definition of historical and contemporary examples of credit unions. In doing so, it is argued that a credit union is best understood as an 'elective association'. The reality-congruence of 'elective association' as a distinct sociological concept is explored, in relation to: i) the ambiguity surrounding the concept of 'community' in contemporary sociology; and ii) the concept's usefulness in enabling researchers to account for different forms of elective association and, crucially, the affective motivations within them. The substantive analysis takes the form of 3 historical and contemporary case studies into the formation and development of credit unions. The first examines the Raiffeisen credit union movement of South-Western Germany in the late nineteenth century; the second explores the origins of the US credit union movement, with particular reference to the formation of credit unions in Manhattan from 1914; and the third analyses the significance of, and prospects for, the common bond among credit unions in contemporary English society.

The theoretical core of the thesis rests upon Elias's concept of a figuration and, specifically, the problem of human interdependencies and affective bonds. In arguing that credit unions are elective associations, Schmalenbach's 'Bund' concept is employed in tandem with Elias's insights and Shils's extension of the concept, and is argued to help transcend the conceptual dichotomy locked within the Gemeinschaft/Gesellschaft concept. In the analysis of English credit union formations and development, Bauman's 'consumer society' thesis is considered, as are Giddens's arguments concerning the bases of personal trust and the influence of 'expert systems' in 'reflexive modernity'. Lash's critique of Giddens is also examined and is argued to be largely commensurate with the general tenor of Schmalenbach's insights.

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Chapter 1

Introduction

A credit union is a unique member-driven, self-help financial institution. It is organized by and comprised of members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest.

The members are people of some common bond: working for the same employer; belonging to the same church, labour union, social fraternity, etc.; or living/working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, colour or creed.

A credit union is a democratic, not-for-profit financial co-operative. Each is owned and governed by its members, with members having a vote in the election of directors and committee representatives. The international credit union operating principles, adopted by the World Council of Credit Unions, outlines the basic credit union philosophical values of co-operation, equality, equity and mutual self-help.

(World Council of Credit Unions, *<http://www.woccu.org>*, 2000)

The above outline of a credit union's activities and general principles describes virtually all examples of this social phenomenon currently active in the West. In the United States, the Credit Union National Association (CUNA) reports 12,000 credit unions now serving over 90 million American members, with combined total assets in

excess of \$300 billion (www.cuna.org, 2001); the Irish League of Credit Unions (ILCU) has 520 affiliated credit unions in 32 counties (www.creditunion.ie, 2001); while in Britain, the Association of British Credit Unions (ABCUL) lists 662 affiliated credit unions in its on-line annual report (www.abcul.org, 2001). As well as in Ireland and Britain, there are established and developing credit union movements in 35 other countries around the world. The US-based international credit union organization, the World Council of Credit Unions (WOCCU) states that there are over 37,000 credit unions currently active outside the United States, with memberships of more than 88 million and combined assets of nearly \$420 billion.

At the individual credit union level, 150-200 members can pool their savings to provide modest loans for such things as a domestic appliance or towards the relief of other higher interest debt. But a single credit union can grow to a size where over 12,000 members can enjoy current account facilities, obtain mortgages, carry a credit union credit card and take advantage of automated telling services. Yet, in virtually all cases, the activities and espoused general principles of these credit unions mirror the opening quotation.

Despite the significant number of credit unions that exist, relatively little has been written about this social phenomenon – especially from a sociological perspective. Much academic attention thus far paid to credit unions, has tended to focus on the purely economic aspects of their activities (cf. Barron, *et al.* 1994; Smith, *et al.* 1981; Smith, D. J. 1984). This is perhaps unsurprising, given that the majority of them function as savings and loans financial co-operatives in a capitalist system, but a distinct and unique aspect of credit unions, as financial co-operatives, has gone

largely uninvestigated. Namely, the requirement that members share a ‘common bond’ of some kind. As the general principles mentioned above state, the common bond is not restricted to any specific *type* of bond, but this aspect of credit union activities has been a feature of virtually all credit unions since their earliest recorded examples. It is this aspect of credit unions, and English credit unions in particular, that provides the overall focus of this study.

Consequently, the kind of questions that the study seeks to answer include: what significance, if any, has the common bond aspect had for different examples of credit union formation and development?; do different common bond definitions carry different degrees of significance or influence?; what are the origins of the common bond requirement?; does it have any significance in the activities of contemporary English credit unions? The following sections set out the approach taken in analyzing credit unions in order to address these questions, and outline each specific aspect of the study covered in the subsequent chapters.

1. General Rules and Principles of Credit Union Operations

Despite the variations in legislative requirements and the particular financial environments that credit unions in different societies operate within, there are many uniform features between them in terms of their general rules and principles. One can see this by comparing the ‘Standard Rules’ published by the main umbrella organizations representing three different Western credit union movements. Namely, the credit union movements of the United States, the Republic of Ireland, and Britain

(www.cuna.org, 2001; ILCU, 1993; ABCUL, 2001). All the following rules and descriptions of the internal structure of a credit union are common to the three examples selected:

- i) A credit union operates (and is registered with its relevant state regulatory body) as a financial co-operative that is owned, run and controlled by its members. It is not owned by any one person or organization but by all the people that use it. All members are considered equal irrespective of the amount of money they have invested in the credit union. Every member has an equal say in the running of their credit union and decisions are taken on a one-member, one-vote basis.

- ii) Members' savings are pooled together to be used as a common fund from which members can apply for loans. The amount that a credit union can lend an individual member is based upon a) the statutory limit set by the relevant legislation, and b) by the level of the member's savings. Each member can usually borrow up to a maximum of three times the amount they hold in savings. Each member is also required to purchase at least one 'share' in the credit union. In the case of Britain, these shares are typically set at £1. The credit union does not seek to make a profit, although typically it will charge 1 per cent interest per month on a declining balance as a means of meeting its administration costs, utility expenses, and so on. At the end of each credit union financial year, any surplus funds collected through this interest charge, or returns gained from any other investment made by the credit union as an organization, are most usually distributed back to the members in the form of

annual dividends. Or, if agreed by the members, this money can be used for some service-related purpose: be it to acquire new office equipment, move to more suitable premises, or whatever.

- iii) A Board of Directors is elected at the credit union's annual general meeting and their responsibilities include: making policy decisions regarding loans, shares, dividends, and the salaries of any contracted cashiers. The Board also approves membership applications and authorizes any necessary bond coverage, investments and deposits of funds. They also elect a chairperson, vice-chair, treasurer and secretary.
- iv) The Board of Directors can also appoint the Credit Committee (unless put before the members at the annual general meeting). The Credit Committee acts on each application for a loan made by a member, and should meet no less than once a month. Larger credit unions also usually elect a Credit Manager or Loans Officer who is responsible directly to the credit committee and can approve loans.
- v) The Board of Directors also appoints the Supervisory Committee, who effectively act as internal auditors examining the affairs of the credit union, and its committees, on behalf of the members. The Supervisory Committee can suspend Directors for sufficient cause.

2. An Overview of British Credit Unions and their History

In March 1999 there were 530 credit unions active in Britain. And the first aspect of the movement that reveals itself is that it is an almost exclusively urban phenomenon. Collated from the annual returns made by the existing credit unions to the Registry of Friendly Societies (the movement's then regulatory body) for the years, 1995, 1996 and 1997, 447 British credit unions were classified as 'non-work-based', or 'community' credit unions, and 83 classified as 'work-based', or 'industrial' examples (ABCUL, 1999). At this time the movement could boast a combined membership of 214, 660, with £122.3 million in total assets. In terms of the numbers of members, the combined total of 'community' and 'industrial' credit unions were roughly similar with both models sharing approximately half of the combined membership total. However, in terms of both 'shares' and the amount of money awarded in loans, the industrial credit unions surpass their community counterparts quite considerably. Whilst the combined shares of community credit unions totaled £31 million and between them had made £24.7 million in combined loans, industrial credit unions held some £74.8 million in combined shares and had awarded £72.8 million in total loans (ABCUL, 1999:10). Thus, while community credit unions represented 84.3 per cent of all British credit unions, they only accounted for 29.43 per cent of the movement's total assets. Consequently, despite making up only 15.6 per cent of the number, British industrial credit unions held 50 per cent of the membership and 70.5 per cent of the movement's assets.

A similar pattern can be seen in the comparison between the average individual memberships, and average individual assets, of community and industrial credit unions at different stages of their development. From the 97 community credit unions in England and Wales registered with the Registry of Friendly Societies for between 3 to 6 years, the average membership was 146 and the average total assets were £32,117 (ranging from £4,157 in the case of the Brotherhood of the Cross and Star C.U. Ltd., to £147,000 in the case of Bargoed Aberbargoed and Gilfach C.U. Ltd.). Of the 17 industrial credit unions registered for the same period of time, the average membership was 968, with £620,353 in combined assets (ranging from £55,338 in the case of Norwich City Council Employees' C.U. Ltd., to £2,152,063 in the case of Voyager C.U. Ltd. based in Manchester). There were, in 1999, 36 English and Welsh community credit unions who had been registered for over 12 years. The average membership of these was 370, and the average assets reported as being £213,711 (ranging from £7,963 in the case of Cowgate C.U.Ltd., to £2,720,596 in the case of the Pentacostal C.U. Ltd.). Only 11 industrial credit unions have been active for over 12 years in England and Wales, but their average membership in 1999 was 1,552 and their average assets were £1,725,302 (ranging from £36,059 in the case of the North West Newsagents C.U. Ltd., to £5,809,181 in the case of the Greater Manchester Police C.U. Ltd.) (ABCUL, 1999:13-24).

The first recorded British credit union was established in London in 1964 among a number of Afro-Caribbean families living in the Hornsey area of the city, who had brought the idea from Jamaica where credit unions were already established.

However, it was not until the passing of the Credit Unions Act of 1979 that any significant impetus was gained for the proliferation of credit unions in Britain. The

central requirement of the Act stipulated that all credit unions should be registered with the Registry of Friendly Societies, who would be responsible for ensuring that any credit union seeking to register itself had a 'satisfactory' common bond, met the objectives of the movement and was functioning under an appropriate set of rules.

The Registry was also charged with monitoring active credit unions, made responsible for monitoring their quarterly and annual returns, as well as for determining their management capabilities. Under the Act, the Registry was also given powers to suspend a credit union's operations, cancel its registration, or prosecute any illegal financial activity (Ferguson & McKillop, 1997:69-90).

In the three years following the passing of the Act, there was a sharp increase in the formation of credit unions and by 1982, 73 had registered. During the mid-1980s, a downturn in new formations occurred, especially in relation to employee-based credit unions. Ferguson & McKillop suggest that this was largely due to the effects of economic recession, as well as a result of the implementation of additional requirements for credit unions set by the Registry. These additional requirements included additional reporting requirements and additional competency requirements for volunteer officers prior to registration. However, during the late-1980s and early 1990s the British credit union movement enjoyed quite significant growth. Between 1987 and 1994 a four-fold increase in registrations was reported by the Registry, taking the total number to 459. However, despite there currently being 660 credit unions registered in 2000, the period since 1994 has been marked as much by failure as by success. Some credit unions have successfully developed and consolidated but there have been quite a large number of closures and collapses – most especially among younger, or what has been termed 'nascent', credit unions (Ferguson &

McKillop, 1997:93-109). Also, out of this total, some 220 credit unions had not submitted their annual returns to the Registry by the 30th April deadline stipulated under the Act. Thus, the Registry did not include these credit unions in their official figures. By September 2000, some 50 credit unions had still failed to submit. The vast majority of these 220 were smaller community credit unions.

The basic pattern that emerges from this overview of British credit union history up until 2000, is that it began as a collection of different small-scale urban community initiatives and developed into a movement with two distinct strands: on the one hand there are the small clusters and networks of community credit unions, with mostly small memberships and modest assets; and on the other, the less numerous but much larger industrial examples with greater membership numbers and the greater assets that this has brought.

2.1 The Movement's Internal Associations

After a few years, when three credit unions had been established in the London area, a fledgling federation was set up around the common bond that linked them all – the fact that they were all based in Roman Catholic churches. After a while, and as more credit unions began to emerge in other areas, this association developed into the Credit Union League of Great Britain – which itself, after a relatively short period, developed into the Association of British Credit Unions Limited (ABCUL).

However, there followed a split among some members of the ABCUL board of directors which resulted in the formation of the breakaway National Federation of

Credit Unions (NFCU). Interestingly, these two associations quickly came to represent two distinct factions within the early movement. Specifically, ABCUL came to represent industrial credit unions exclusively, while the NFCU's affiliates were all drawn from community credit unions. This different emphasis between the NFCU and ABCUL was highlighted by Ferguson & McKillop.

The primary focus of [NFCU] is on community development, self-help and smaller units. Its members consider the role of credit unions not only in terms of the provision of financial services, but also in the promotion of self-help and community development, particularly in areas of economic disadvantage. While encouraging its members to become economically viable by developing to a size appropriate to the needs of the members and the local community, it nevertheless prefers credit unions not to exceed a few hundred members. Expansion, where it occurs, should be in the development of new unions.

ABCUL, ... in contrast to the NFCU, is very much in favour of a growth-orientated strategy. While it also has experience of community-based and community-orientated institutions, attention is more sharply concentrated upon individual credit unions achieving significant critical mass. This is then expected to result in the generation of business efficiency and scale economies, with the credit union eventually occupying a significant position in the savings and loans market (1997: 87).

The different emphases, and ideologies, of these two associations persisted until the internal dissolution of the NFCU in the last few years of the 1990s. Although the NFCU still officially exists, albeit in name only, the vast majority of the 200 or so community credit unions connected with it de-affiliated and sought to join ABCUL.

3. Core Theoretical Approach

At the heart of this study lies Elias's concept of a figuration and, specifically, the problem of human interdependencies and emotions that the use of this concept brings into sharp relief. In *What is Sociology?* (1978), Elias argues that the sociological legacy of both Marx and Durkheim has left theorists and researchers largely preoccupied with the economic and political bonds that human beings share. Whether talking of 'class', or 'the division of labour', a distinctly 'they' perspective pervades classical theory generally – with many of its conclusions on social bonding resting disproportionately on the so-called economic 'sphere'. But, argues Elias, if only relatively impersonal interdependencies are taken into account, it is impossible to deal adequately with the problem of people's social bonds – especially their emotional bonds. Underlying the asymmetrical power balances that exist between individuals and groups within a particular figuration is a triad of bonds: the political, the economic, and the *affectual*. As Elias explains:

In small social units containing comparatively few people, every single person's web of personal relationships may include all the other people in the unit. The figuration of each person's attached and unattached valencies will certainly differ from that of everyone else. Yet as long as the unit is small, the figuration will include the whole tribe. As social units become bigger and more stratified, new forms of emotional bond will be found. As well as interpersonal bonds there will be bonds connecting people to the symbols of larger units, to coats of arms, to flags and to emotionally-charged concepts (1978:137).

In larger, more deeply stratified social units therefore, focusing on a single person's nexus of relationships will not necessarily reveal the significance of the personal aspects of social bonds. Yet, one must return to this single person's web of personal relationships in order to glean the 'I' perspective – how it seems and feels from that person's point of view. Nevertheless, Elias rejects the epistemological notion that the individual is the basic 'unit' of society, and stresses the importance of avoiding *Homo Economicus* and *Homo Politicus* assumptions (1978:134-138).

The positing of affective bonds alongside political and economic bonds as a universal of human figurations, I believe offers the researcher a particularly nuanced approach to the study of social phenomena - and credit unions in particular – as it requires one to reveal and account for these bonds in whatever particular context they occur. This is the main intention of this study: examining three cases of credit union formations and development, seeking to reveal and account for the affective bases underpinning the common bond requirement among credit union members in different societies, and in different structural and historical contexts. In doing so, however, it is not intended to link 'discourse' and social structures directly either by working up from the micro-level of a credit union, or group of credit unions, to wider society; nor from the macro-level down to the level of individual or collective credit union activities. Instead, the study attempts to balance analysis and synopsis by revealing the different forms of affect encapsulated by the common bond definition and showing how, often through the common bond definition itself, credit unions have borne the stamp of the structural conditions under which they have emerged and developed.

However, as a thesis undertaken at this stage in the development of sociology, a researcher must be conscious of the many specialisms and schools of thought now operating in the field of sociology with the subsequent lack of any common theoretical core to the discipline (Gouldsblom, 1977; Kilminster, 1998), as well as being aware of the continuing disputes and dialogue between different theoretical paradigms and various models and methods currently used in social research (May, 1997). In the current 'concentration phase' (Kilminster, 1998: 162-172), rival schools in sociology have moved away from the fierce competition that accompanied the expanding and consolidating institutionalization of the 'conflict phase' that characterized the discipline from approximately 1965 until about 1980. More recently, competing paradigms have begun to concede common ground between themselves as the once steep power gradient between them has begun to flatten out. As a result, argues Kilminster, the traces of group allegiance once firmly embedded in concepts has faded. And now,

[a] vocabulary of concepts has thus become the common property of all in the new establishment, paralleling the consolidation of new hybrid social and sexual codes in the wider society. New theoretical syntheses can now be seriously contemplated because the changing structure of the interdependent social existence of previously antagonistic sociological parties has developed into a new, integrated, more polyarchic pattern. It is this development that has 'neutralized' the conceptual apparatus, transformed its nature and made it generally available for synthesizing efforts, for example structuration theory (1998:166).

But this phase of sociology is also characterized by a process whereby sociological debates are more and more coming to be focused around key dualisms, or antinomies,

common to all debates and research programmes. These antinomies, ‘micro/macro’, ‘agency/structure’, ‘system/lifeworld’ among them, while constituting ‘the theoretical anatomy of a new level of social and cognitive synthesis’ (1998: 169), nonetheless confront researchers as ‘self-evident’ parameters of sociological inquiry and often determine the scope of research and reflection.

In analyzing credit unions, which on the surface present themselves to the researcher as financial co-operatives with affective undercurrents within them, it would be easy to follow a conceptual approach whereby the overall aim of the study would be to discover whether credit unions are, for example, ‘agency’-led co-operatives with certain ‘structural’ characteristics. Or, in a similar vein, and using equally contested concepts, positing that a credit union is a financial ‘association’ with certain ‘community’ aspects. In an attempt to move beyond such approaches without simply rejecting what are prominent and established concepts within the discipline, this thesis argues that credit unions are best understood through the application of an underused concept but one which it is argued has considerable explanatory power. By considering credit unions as a particular type of *elective association* or *Bund* (Schmalenbach, 1977) (a concept that will be argued to be a sociological category that can help transcend the conceptual dichotomy locked within the *Gemeinschaft/Gesellschaft* schema), one can better account for and explain the bases of affect encapsulated within the various common bond definitions set by credit unions, and yet show how these elective associations bear the stamp of the structural conditions within which they form themselves - without having to restrict or gear conclusions towards some point on an agency/structure or *Gemeinschaft/Gesellschaft* continuum.

4. The Use of a Case-oriented Methodology

The main body of research put forward by the thesis takes the form of three case studies: two historical and one contemporary. This strategy was adopted for several reasons: (i) It facilitated an analysis of the origins and development of three particular examples of Western credit unionism, over the long-term. As mentioned above (and covered in detail in chapter 3), the general principles and rules of credit union operations have remained largely the same since the emergence of the German Raiffeisen credit unions, although the social and structural conditions within which these elective associations formed themselves obviously differ - both in respect of the different societies they operated in and the different historical periods that they occurred in. However, in the early stages of the research process, it was considered that these general principles and rules of operation not only provided a common thread in the cases of credit union formation and development selected for study, but also could aid the identification of the affective bonding and affective motivations within these elective associations. This identification was believed to be possible through the investigation of the attitudes, beliefs and standards of behaviour encapsulated by the common bond aspect in each case.

(ii) Moreover, as these common principles and general rules also led indirectly to the theoretical consideration of credit unions as elective associations, investigating the bases of affect located in the common bond aspect in each case would help to show how these elective associations bear the stamp of the particular structural conditions within which they formed themselves.

(iii) Furthermore, by utilizing Schmalenbach's (1977) general orientation and conceptual triad in respect of elective sociation as a distinct sociological category, considering credit unions as elective associations with observable affective motivations within them, was considered to be, as Blumer describes, a useful 'sensitizing concept' (Mennell, 1992: 257), with which to guide the general investigation of the case studies - both individually and collectively.

A further reason for using a case-oriented research strategy was to facilitate a comparative aspect to the method. However, due consideration had to be given to the potential problems that can be associated with any generalizations made from a small sample of case studies. Nevertheless, despite the fact that attempts at generalization from a small number of cases is necessarily a haphazard affair (since one cannot tell which characteristics are general and which are unique), it is far from clear that generalizations on many cases carry substantially greater validity. Simply, because they may not be representative (Mason, 1996). This potential paradox is eased somewhat if it is possible to achieve a really representative sample of cases that is still small enough so each one can be examined in detail (Deising, 1972). But it cannot be claimed that the cases investigated for this thesis form a representative sample of credit union formation and development in the three societies under study. Therefore, another strategy would be required to strengthen the validity of any generalizations made from the cases selected for analysis. One quite obvious, but nonetheless important, fact about the 3 proposed cases was that while they cannot claim to be representative, their diversity, in terms of the different societies and times in history when they emerged, was evident. And such diversity has nonetheless been argued to be a valid basis for generalization. As Platt (1988) elucidates, this logic is based on

the *a fortiori* argument that if such diverse cases can be encompassed by the same general proposition, it must follow that those with other (perhaps, less extreme) values on the same variables are also covered by it. Platt goes on to state that any claims made from diverse cases are strengthened if, through consideration of factors known social-scientifically, there is nonetheless evidence of uniformity. The more surprising the uniformity, the greater the conviction any generalization will carry.

No one disputes that a single case may be a useful source of hypotheses, or may refute a universal generalization, or demonstrate the existence of a phenomenon which needs to be taken into account. *A fortiori* and similar arguments, though seldom discussed, create little difficulty. As soon as it is recognized that there are degrees of plausibility or confirmation, not just simple right and wrong, many difficulties vanish, since these are plainly affected by the character of cases: a least-likely case provides a strong confirmation (Eckstein, 1975: 119); a case very different from those previously studied gives a greater confidence than a similar one (cf. Polya, 1968: 4-20); and so on (1988: 17-18).

However, one must recognize that many comparative historical studies typically cover only a few cases and, therefore, though they gain by providing a detailed and nuanced account of events in those cases, they sacrifice the advantage of having a larger number of cases which allows one to make fuller use of the comparative method to eliminate spurious factors (Rueschemeyer & Stephens, 1997). Nevertheless, when designing the research strategy, I felt that a representative sample of credit unions would add little to the analysis. All a representative sample would do is add a degree of assurance that the cases studied had not omitted types occurring often enough to appear in them; but would introduce a further problem of defining the population

from which the sample was drawn (Platt, 1988: 22). And, in terms of the process of inference to general propositions, May (1997) argues that this process is always 'logical' rather than 'statistical'. Statistical inference, which requires a number of cases, tends to effectively focus on the concomitant variation of two characteristics. The analyst must still go beyond the sample and resort to theoretical thinking to link those characteristics together.

In respect of my work into the question of sociological measurement, I concluded that any attempt to reveal the emotional infrastructure of credit unions could not be explained in terms of any particular quantifiable factor alone. As Elias stresses, analyses into notions and bases of affect cannot be explained by means of procedures aimed at measuring 'factors' or 'variables' as if each of them existed and could vary all by themselves independently of the whole social configuration. Neither could they be explained by means of procedures based on the tacit assumption that social phenomena are combinations of variables comparable to the combination of atomic particles which serve natural scientists as one of their principal models (Elias & Scotson, 1994, Elias, 1987).

Elias himself tended to focus on what he termed, 'real cases'. In this study, by utilizing a case-oriented strategy in a comparative method it is hoped that this can facilitate understanding of these specific cases because of their intrinsic value as examples of credit union formation and development. What the research strategy was designed to do was to enable potential generalizations about these elective associations in the first case to be tested against the other cases. However, the

generalizations that are made in this process are not claimed as universally valid, but valid only for cases similar to those studied. As Deising argues:

Comparison provides a bridge between the variability and uniqueness of a case and the uniformity and generality of theory. The bridge is two-way: it makes theory available to guide and control observation, and it makes observation available to test and improve theory (1972: 184)

And as Ragin also says:

[C]ase-oriented methods stimulate a rich dialogue between ideas and evidence. Because these methods are flexible in their approach to the evidence – few simplifying assumptions are made – they do not restrict or constrain the examination of evidence. They do not force investigators to view causal conditions as opponents in the struggle to explain variation. Rather, they provide a basis for examining how conditions combine in different ways and in different contexts to produce different outcomes (1987: 52).

In short, adopting a case-oriented strategy in the research design process was done with a view to facilitate an on-going dialogue between the theory and the empirical research (van Krieken, 1998:163).

5. Chapter Overviews

The concept of elective association is examined in greater detail in **Chapter 2**. The discussion begins by looking at the long-term development of the concept of ‘community’ in sociology, referring to Bell & Newby (1976) to discuss the ‘Tönniesian legacy’ they find within the *Gemeinschaft* category. This ‘legacy’ Bell & Newby identify, and its continuing influence, is revealed through a critique of the communitarian theories of Etzioni (1993; 1997), and the chapter goes on to argue that it is Elias’s theory (1974; 1994) of communities as figurations that re-invigorates ‘community’ as a reality-congruent concept. Schmalenbach’s (1977) ‘Bund’ concept is then examined and it is argued that his extension of Tönnie (1974) *Gemeinschaft/Gesellschaft* schema enables one to examine many different forms of elective association and explain the affective motivations within them. In doing so, aspects of Hetherington’s (1994; 1998) work into contemporary expressions of identity are discussed in relation to his use of Schmalenbach’s concept. Schmalenbach’s influence is also seen in Maffesoli’s (1996) investigations into contemporary forms of ‘emphatic sociality’ and ‘neo-tribes’. Cohen’s (1985) symbolic construction of community thesis is considered in relation to the question of boundary formation and, especially, the examples he provides to show the considerable array of symbolic boundaries that are drawn between numerous different groups in modern times. Cohen’s skillful use of different empirical examples then draws the chapter into a brief discussion of conceptual clarity with regards to Schmalenbach’s concept. Shils’s (1957) work on human ‘ties’ in personal and ideological primary groups, and his references to Schmalenbach, are also considered.

And Shils's distinction between ideological and personal primary groups leads to a note on the different motivations for trust between people.

Chapter 3 traces the origins and development of the Raiffeisen credit unions of south-western Germany between 1860 and 1913, and places their development against the parallel development of the Schulze-Delitzsch credit unions of eastern Germany. The chapter draws on Weber (1985) to show the structural context within which these elective associations emerged, and highlights his analysis of the particular social relations among the former peasant class from which the Raiffeisen credit unions drew the majority of their memberships. The chapter also considers its findings in relation to aspects of Schmalenbach's thesis, and refers to de Swaan (1988) and his work into workers' mutualism and social constraint towards self-constraint. The chapter concludes with a brief excursus describing the emergence of credit unions in Austria-Hungary and Italy, highlighting the importance of the common bond aspect in both cases.

In examining the origins and aspects of US credit unions, **Chapter 4** traces the development of what is now the world's largest credit union movement. Its early history is explored, with specific reference to the case of credit union formations in Manhattan from 1914. Lipset's (1964) investigations into the emerging American national value system and other data detailing the then dominant societal attitudes and standards of behaviour concerning the borrowing of money, are supported by the evidence of the successful accommodation of these dominant values by these fledgling credit unions through their common bond aspect. Specifically, through members' committees awarding loans strictly for 'productive' purposes, guaranteed

by the 'good character' of the borrower as judged by fellow members. Furthermore, the chapter goes on to show that the mutual stress on individual achievement and conformism that Lipset reveals as a key aspect of the American character, could be successfully reconciled with membership in a credit union

Chapter 5 analyses the significance of the common bond in contemporary English credit unions with reference to the ideas put forward by Giddens (1990; 1994) concerning the bases of trust in reflexive modernity. The data for this chapter comes from existing secondary sources and from interviews with respondents from credit unions in Yorkshire and Lancashire. Both the interview and secondary source data is also considered in the light of Bauman's (1998) investigations into the structural conditions of the emergent 'consumer society'. The significance of the common bond aspect in relation to the current rift within the developing British credit union movement is outlined, as is its significance in relation to the bases of trust between members. Evidence of established/outsider relations (Elias & Scotson, 1994) are revealed through an analysis of a secondary source case study into an attempt to establish a credit union among three communities, and data gathered on English community credit unions in particular is shown to support Scott Lash's (1994) critique of Giddens and the observations Lash makes in respect of the 'reflexivity losers' of reflexive modernity. A note is also made of Giddens' lack of clarity in respect of the different motivations for trust, first covered in Chapter 2. And Shils's insights into ideological and personal primary groups are considered in view of the fact that all the respondents are active volunteers and officers in their credit unions, and sometimes within the wider credit union movement.

Chapter 6 continues the focus on English credit unions but develops the analysis through an examination into the relationship between them and the ‘expert knowledge’ (Giddens, 1990: 1994) that they have come into contact with – both in terms of attempts at credit union formations by various local authorities and through the regulation of their activities as financial co-operatives by the Registry of Friendly Societies. Further aspects of Lash’s (1994) critique of Giddens are covered, most especially his claims that Giddens places too much emphasis on the effect of ‘expert systems’ in relation to intimate relations at this stage of modernity. The characteristics of ‘reflexive communities’ that Lash describes and identifies as a growing phenomenon reflexive modernity are argued to have much in common with the ideas of Hetherington (1998) and Maffesoli (1996) and, crucially, their use of Schmalenbach’s (1977) *Bund* concept. However, a note of caution is sounded in respect of the insights gleaned from Shils (1957), as well as the conceptual vagueness that can result when ‘trust’ is used without enough regard being paid to the distinction between affective and rational trust. The chapter concludes by outlining the changing regulatory environment in relation to English credit unions and presents some thoughts on the prospects this may hold for the common bond aspect.

Chapter 1

Introduction

A credit union is a unique member-driven, self-help financial institution. It is organized by and comprised of members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest.

The members are people of some common bond: working for the same employer; belonging to the same church, labour union, social fraternity, etc.; or living/working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, colour or creed.

A credit union is a democratic, not-for-profit financial co-operative. Each is owned and governed by its members, with members having a vote in the election of directors and committee representatives. The international credit union operating principles, adopted by the World Council of Credit Unions, outlines the basic credit union philosophical values of co-operation, equality, equity and mutual self-help.

(World Council of Credit Unions, <http://www.woccu.org>, 2000)

The above outline of a credit union's activities and general principles describes virtually all examples of this social phenomenon currently active in the West. In the United States, the Credit Union National Association (CUNA) reports 12,000 credit unions now serving over 90 million American members, with combined total assets in

excess of \$300 billion (www.cuna.org, 2001); the Irish League of Credit Unions (ILCU) has 520 affiliated credit unions in 32 counties (www.creditunion.ie, 2001); while in Britain, the Association of British Credit Unions (ABCUL) lists 662 affiliated credit unions in its on-line annual report (www.abcul.org, 2001). As well as in Ireland and Britain, there are established and developing credit union movements in 35 other countries around the world. The US-based international credit union organization, the World Council of Credit Unions (WOCCU) states that there are over 37,000 credit unions currently active outside the United States, with memberships of more than 88 million and combined assets of nearly \$420 billion.

At the individual credit union level, 150-200 members can pool their savings to provide modest loans for such things as a domestic appliance or towards the relief of other higher interest debt. But a single credit union can grow to a size where over 12,000 members can enjoy current account facilities, obtain mortgages, carry a credit union credit card and take advantage of automated telling services. Yet, in virtually all cases, the activities and espoused general principles of these credit unions mirror the opening quotation.

Despite the significant number of credit unions that exist, relatively little has been written about this social phenomenon – especially from a sociological perspective. Much academic attention thus far paid to credit unions, has tended to focus on the purely economic aspects of their activities (cf. Barron, *et al.* 1994; Smith, *et al.* 1981; Smith, D. J. 1984). This is perhaps unsurprising, given that the majority of them function as savings and loans financial co-operatives in a capitalist system, but a distinct and unique aspect of credit unions, as financial co-operatives, has gone

largely uninvestigated. Namely, the requirement that members share a ‘common bond’ of some kind. As the general principles mentioned above state, the common bond is not restricted to any specific *type* of bond, but this aspect of credit union activities has been a feature of virtually all credit unions since their earliest recorded examples. It is this aspect of credit unions, and English credit unions in particular, that provides the overall focus of this study.

Consequently, the kind of questions that the study seeks to answer include: what significance, if any, has the common bond aspect had for different examples of credit union formation and development?; do different common bond definitions carry different degrees of significance or influence?; what are the origins of the common bond requirement?; does it have any significance in the activities of contemporary English credit unions? The following sections set out the approach taken in analyzing credit unions in order to address these questions, and outline each specific aspect of the study covered in the subsequent chapters.

1. General Rules and Principles of Credit Union Operations

Despite the variations in legislative requirements and the particular financial environments that credit unions in different societies operate within, there are many uniform features between them in terms of their general rules and principles. One can see this by comparing the ‘Standard Rules’ published by the main umbrella organizations representing three different Western credit union movements. Namely, the credit union movements of the United States, the Republic of Ireland, and Britain

(www.cuna.org, 2001; ILCU, 1993; ABCUL, 2001). All the following rules and descriptions of the internal structure of a credit union are common to the three examples selected:

- i) A credit union operates (and is registered with its relevant state regulatory body) as a financial co-operative that is owned, run and controlled by its members. It is not owned by any one person or organization but by all the people that use it. All members are considered equal irrespective of the amount of money they have invested in the credit union. Every member has an equal say in the running of their credit union and decisions are taken on a one-member, one-vote basis.

- ii) Members' savings are pooled together to be used as a common fund from which members can apply for loans. The amount that a credit union can lend an individual member is based upon a) the statutory limit set by the relevant legislation, and b) by the level of the member's savings. Each member can usually borrow up to a maximum of three times the amount they hold in savings. Each member is also required to purchase at least one 'share' in the credit union. In the case of Britain, these shares are typically set at £1. The credit union does not seek to make a profit, although typically it will charge 1 per cent interest per month on a declining balance as a means of meeting its administration costs, utility expenses, and so on. At the end of each credit union financial year, any surplus funds collected through this interest charge, or returns gained from any other investment made by the credit union as an organization, are most usually distributed back to the members in the form of

annual dividends. Or, if agreed by the members, this money can be used for some service-related purpose: be it to acquire new office equipment, move to more suitable premises, or whatever.

- iii) A Board of Directors is elected at the credit union's annual general meeting and their responsibilities include: making policy decisions regarding loans, shares, dividends, and the salaries of any contracted cashiers. The Board also approves membership applications and authorizes any necessary bond coverage, investments and deposits of funds. They also elect a chairperson, vice-chair, treasurer and secretary.
- iv) The Board of Directors can also appoint the Credit Committee (unless put before the members at the annual general meeting). The Credit Committee acts on each application for a loan made by a member, and should meet no less than once a month. Larger credit unions also usually elect a Credit Manager or Loans Officer who is responsible directly to the credit committee and can approve loans.
- v) The Board of Directors also appoints the Supervisory Committee, who effectively act as internal auditors examining the affairs of the credit union, and its committees, on behalf of the members. The Supervisory Committee can suspend Directors for sufficient cause.

2. An Overview of British Credit Unions and their History

In March 1999 there were 530 credit unions active in Britain. And the first aspect of the movement that reveals itself is that it is an almost exclusively urban phenomenon. Collated from the annual returns made by the existing credit unions to the Registry of Friendly Societies (the movement's then regulatory body) for the years, 1995, 1996 and 1997, 447 British credit unions were classified as 'non-work-based', or 'community' credit unions, and 83 classified as 'work-based', or 'industrial' examples (ABCUL, 1999). At this time the movement could boast a combined membership of 214,660, with £122.3 million in total assets. In terms of the numbers of members, the combined total of 'community' and 'industrial' credit unions were roughly similar with both models sharing approximately half of the combined membership total. However, in terms of both 'shares' and the amount of money awarded in loans, the industrial credit unions surpass their community counterparts quite considerably. Whilst the combined shares of community credit unions totaled £31 million and between them had made £24.7 million in combined loans, industrial credit unions held some £74.8 million in combined shares and had awarded £72.8 million in total loans (ABCUL, 1999:10). Thus, while community credit unions represented 84.3 per cent of all British credit unions, they only accounted for 29.43 per cent of the movement's total assets. Consequently, despite making up only 15.6 per cent of the number, British industrial credit unions held 50 per cent of the membership and 70.5 per cent of the movement's assets.

A similar pattern can be seen in the comparison between the average individual memberships, and average individual assets, of community and industrial credit unions at different stages of their development. From the 97 community credit unions in England and Wales registered with the Registry of Friendly Societies for between 3 to 6 years, the average membership was 146 and the average total assets were £32,117 (ranging from £4,157 in the case of the Brotherhood of the Cross and Star C.U. Ltd., to £147,000 in the case of Bargoed Aberbargoed and Gilfach C.U. Ltd.). Of the 17 industrial credit unions registered for the same period of time, the average membership was 968, with £620,353 in combined assets (ranging from £55,338 in the case of Norwich City Council Employees' C.U. Ltd., to £2,152,063 in the case of Voyager C.U. Ltd. based in Manchester). There were, in 1999, 36 English and Welsh community credit unions who had been registered for over 12 years. The average membership of these was 370, and the average assets reported as being £213,711 (ranging from £7,963 in the case of Cowgate C.U.Ltd., to £2,720,596 in the case of the Pentacostal C.U. Ltd.). Only 11 industrial credit unions have been active for over 12 years in England and Wales, but their average membership in 1999 was 1,552 and their average assets were £1,725,302 (ranging from £36,059 in the case of the North West Newsagents C.U. Ltd., to £5,809,181 in the case of the Greater Manchester Police C.U. Ltd.) (ABCUL, 1999:13-24).

The first recorded British credit union was established in London in 1964 among a number of Afro-Caribbean families living in the Hornsey area of the city, who had brought the idea from Jamaica where credit unions were already established.

However, it was not until the passing of the Credit Unions Act of 1979 that any significant impetus was gained for the proliferation of credit unions in Britain. The

central requirement of the Act stipulated that all credit unions should be registered with the Registry of Friendly Societies, who would be responsible for ensuring that any credit union seeking to register itself had a 'satisfactory' common bond, met the objectives of the movement and was functioning under an appropriate set of rules.

The Registry was also charged with monitoring active credit unions, made responsible for monitoring their quarterly and annual returns, as well as for determining their management capabilities. Under the Act, the Registry was also given powers to suspend a credit union's operations, cancel its registration, or prosecute any illegal financial activity (Ferguson & McKillop, 1997:69-90).

In the three years following the passing of the Act, there was a sharp increase in the formation of credit unions and by 1982, 73 had registered. During the mid-1980s, a downturn in new formations occurred, especially in relation to employee-based credit unions. Ferguson & McKillop suggest that this was largely due to the effects of economic recession, as well as a result of the implementation of additional requirements for credit unions set by the Registry. These additional requirements included additional reporting requirements and additional competency requirements for volunteer officers prior to registration. However, during the late-1980s and early 1990s the British credit union movement enjoyed quite significant growth. Between 1987 and 1994 a four-fold increase in registrations was reported by the Registry, taking the total number to 459. However, despite there currently being 660 credit unions registered in 2000, the period since 1994 has been marked as much by failure as by success. Some credit unions have successfully developed and consolidated but there have been quite a large number of closures and collapses – most especially among younger, or what has been termed 'nascent', credit unions (Ferguson &

McKillop, 1997:93-109). Also, out of this total, some 220 credit unions had not submitted their annual returns to the Registry by the 30th April deadline stipulated under the Act. Thus, the Registry did not include these credit unions in their official figures. By September 2000, some 50 credit unions had still failed to submit. The vast majority of these 220 were smaller community credit unions.

The basic pattern that emerges from this overview of British credit union history up until 2000, is that it began as a collection of different small-scale urban community initiatives and developed into a movement with two distinct strands: on the one hand there are the small clusters and networks of community credit unions, with mostly small memberships and modest assets; and on the other, the less numerous but much larger industrial examples with greater membership numbers and the greater assets that this has brought.

2.1 The Movement's Internal Associations

After a few years, when three credit unions had been established in the London area, a fledgling federation was set up around the common bond that linked them all – the fact that they were all based in Roman Catholic churches. After a while, and as more credit unions began to emerge in other areas, this association developed into the Credit Union League of Great Britain – which itself, after a relatively short period, developed into the Association of British Credit Unions Limited (ABCUL).

However, there followed a split among some members of the ABCUL board of directors which resulted in the formation of the breakaway National Federation of

Credit Unions (NFCU). Interestingly, these two associations quickly came to represent two distinct factions within the early movement. Specifically, ABCUL came to represent industrial credit unions exclusively, while the NFCU's affiliates were all drawn from community credit unions. This different emphasis between the NFCU and ABCUL was highlighted by Ferguson & McKillop.

The primary focus of [NFCU] is on community development, self-help and smaller units. Its members consider the role of credit unions not only in terms of the provision of financial services, but also in the promotion of self-help and community development, particularly in areas of economic disadvantage. While encouraging its members to become economically viable by developing to a size appropriate to the needs of the members and the local community, it nevertheless prefers credit unions not to exceed a few hundred members. Expansion, where it occurs, should be in the development of new unions.

ABCUL, ... in contrast to the NFCU, is very much in favour of a growth-orientated strategy. While it also has experience of community-based and community-orientated institutions, attention is more sharply concentrated upon individual credit unions achieving significant critical mass. This is then expected to result in the generation of business efficiency and scale economies, with the credit union eventually occupying a significant position in the savings and loans market (1997: 87).

The different emphases, and ideologies, of these two associations persisted until the internal dissolution of the NFCU in the last few years of the 1990s. Although the NFCU still officially exists, albeit in name only, the vast majority of the 200 or so community credit unions connected with it de-affiliated and sought to join ABCUL.

3. Core Theoretical Approach

At the heart of this study lies Elias's concept of a figuration and, specifically, the problem of human interdependencies and emotions that the use of this concept brings into sharp relief. In *What is Sociology?* (1978), Elias argues that the sociological legacy of both Marx and Durkheim has left theorists and researchers largely preoccupied with the economic and political bonds that human beings share. Whether talking of 'class', or 'the division of labour', a distinctly 'they' perspective pervades classical theory generally – with many of its conclusions on social bonding resting disproportionately on the so-called economic 'sphere'. But, argues Elias, if only relatively impersonal interdependencies are taken into account, it is impossible to deal adequately with the problem of people's social bonds – especially their emotional bonds. Underlying the asymmetrical power balances that exist between individuals and groups within a particular figuration is a triad of bonds: the political, the economic, and the *affectual*. As Elias explains:

In small social units containing comparatively few people, every single person's web of personal relationships may include all the other people in the unit. The figuration of each person's attached and unattached valencies will certainly differ from that of everyone else. Yet as long as the unit is small, the figuration will include the whole tribe. As social units become bigger and more stratified, new forms of emotional bond will be found. As well as interpersonal bonds there will be bonds connecting people to the symbols of larger units, to coats of arms, to flags and to emotionally-charged concepts (1978:137).

In larger, more deeply stratified social units therefore, focusing on a single person's nexus of relationships will not necessarily reveal the significance of the personal aspects of social bonds. Yet, one must return to this single person's web of personal relationships in order to glean the 'I' perspective – how it seems and feels from that person's point of view. Nevertheless, Elias rejects the epistemological notion that the individual is the basic 'unit' of society, and stresses the importance of avoiding *Homo Economicus* and *Homo Politicus* assumptions (1978:134-138).

The positing of affective bonds alongside political and economic bonds as a universal of human figurations, I believe offers the researcher a particularly nuanced approach to the study of social phenomena - and credit unions in particular – as it requires one to reveal and account for these bonds in whatever particular context they occur. This is the main intention of this study: examining three cases of credit union formations and development, seeking to reveal and account for the affective bases underpinning the common bond requirement among credit union members in different societies, and in different structural and historical contexts. In doing so, however, it is not intended to link 'discourse' and social structures directly either by working up from the micro-level of a credit union, or group of credit unions, to wider society; nor from the macro-level down to the level of individual or collective credit union activities. Instead, the study attempts to balance analysis and synopsis by revealing the different forms of affect encapsulated by the common bond definition and showing how, often through the common bond definition itself, credit unions have borne the stamp of the structural conditions under which they have emerged and developed.

However, as a thesis undertaken at this stage in the development of sociology, a researcher must be conscious of the many specialisms and schools of thought now operating in the field of sociology with the subsequent lack of any common theoretical core to the discipline (Gouldsblom, 1977; Kilminster, 1998), as well as being aware of the continuing disputes and dialogue between different theoretical paradigms and various models and methods currently used in social research (May, 1997). In the current 'concentration phase' (Kilminster, 1998: 162-172), rival schools in sociology have moved away from the fierce competition that accompanied the expanding and consolidating institutionalization of the 'conflict phase' that characterized the discipline from approximately 1965 until about 1980. More recently, competing paradigms have begun to concede common ground between themselves as the once steep power gradient between them has begun to flatten out. As a result, argues Kilminster, the traces of group allegiance once firmly embedded in concepts has faded. And now,

[a] vocabulary of concepts has thus become the common property of all in the new establishment, paralleling the consolidation of new hybrid social and sexual codes in the wider society. New theoretical syntheses can now be seriously contemplated because the changing structure of the interdependent social existence of previously antagonistic sociological parties has developed into a new, integrated, more polyarchic pattern. It is this development that has 'neutralized' the conceptual apparatus, transformed its nature and made it generally available for synthesizing efforts, for example structuration theory (1998:166).

But this phase of sociology is also characterized by a process whereby sociological debates are more and more coming to be focused around key dualisms, or antinomies,

common to all debates and research programmes. These antinomies, ‘micro/macro’, ‘agency/structure’, ‘system/lifeworld’ among them, while constituting ‘the theoretical anatomy of a new level of social and cognitive synthesis’ (1998: 169), nonetheless confront researchers as ‘self-evident’ parameters of sociological inquiry and often determine the scope of research and reflection.

In analyzing credit unions, which on the surface present themselves to the researcher as financial co-operatives with affective undercurrents within them, it would be easy to follow a conceptual approach whereby the overall aim of the study would be to discover whether credit unions are, for example, ‘agency’-led co-operatives with certain ‘structural’ characteristics. Or, in a similar vein, and using equally contested concepts, positing that a credit union is a financial ‘association’ with certain ‘community’ aspects. In an attempt to move beyond such approaches without simply rejecting what are prominent and established concepts within the discipline, this thesis argues that credit unions are best understood through the application of an underused concept but one which it is argued has considerable explanatory power. By considering credit unions as a particular type of *elective association* or *Bund* (Schmalenbach, 1977) (a concept that will be argued to be a sociological category that can help transcend the conceptual dichotomy locked within the *Gemeinschaft/Gesellschaft* schema), one can better account for and explain the bases of affect encapsulated within the various common bond definitions set by credit unions, and yet show how these elective associations bear the stamp of the structural conditions within which they form themselves - without having to restrict or gear conclusions towards some point on an agency/structure or *Gemeinschaft/Gesellschaft* continuum.

4. The Use of a Case-oriented Methodology

The main body of research put forward by the thesis takes the form of three case studies: two historical and one contemporary. This strategy was adopted for several reasons: (i) It facilitated an analysis of the origins and development of three particular examples of Western credit unionism, over the long-term. As mentioned above (and covered in detail in chapter 3), the general principles and rules of credit union operations have remained largely the same since the emergence of the German Raiffeisen credit unions, although the social and structural conditions within which these elective associations formed themselves obviously differ - both in respect of the different societies they operated in and the different historical periods that they occurred in. However, in the early stages of the research process, it was considered that these general principles and rules of operation not only provided a common thread in the cases of credit union formation and development selected for study, but also could aid the identification of the affective bonding and affective motivations within these elective associations. This identification was believed to be possible through the investigation of the attitudes, beliefs and standards of behaviour encapsulated by the common bond aspect in each case.

(ii) Moreover, as these common principles and general rules also led indirectly to the theoretical consideration of credit unions as elective associations, investigating the bases of affect located in the common bond aspect in each case would help to show how these elective associations bear the stamp of the particular structural conditions within which they formed themselves.

(iii) Furthermore, by utilizing Schmalenbach's (1977) general orientation and conceptual triad in respect of elective sociation as a distinct sociological category, considering credit unions as elective associations with observable affective motivations within them, was considered to be, as Blumer describes, a useful 'sensitizing concept' (Mennell, 1992: 257), with which to guide the general investigation of the case studies - both individually and collectively.

A further reason for using a case-oriented research strategy was to facilitate a comparative aspect to the method. However, due consideration had to be given to the potential problems that can be associated with any generalizations made from a small sample of case studies. Nevertheless, despite the fact that attempts at generalization from a small number of cases is necessarily a haphazard affair (since one cannot tell which characteristics are general and which are unique), it is far from clear that generalizations on many cases carry substantially greater validity. Simply, because they may not be representative (Mason, 1996). This potential paradox is eased somewhat if it is possible to achieve a really representative sample of cases that is still small enough so each one can be examined in detail (Deising, 1972). But it cannot be claimed that the cases investigated for this thesis form a representative sample of credit union formation and development in the three societies under study. Therefore, another strategy would be required to strengthen the validity of any generalizations made from the cases selected for analysis. One quite obvious, but nonetheless important, fact about the 3 proposed cases was that while they cannot claim to be representative, their diversity, in terms of the different societies and times in history when they emerged, was evident. And such diversity has nonetheless been argued to be a valid basis for generalization. As Platt (1988) elucidates, this logic is based on

the *a fortiori* argument that if such diverse cases can be encompassed by the same general proposition, it must follow that those with other (perhaps, less extreme) values on the same variables are also covered by it. Platt goes on to state that any claims made from diverse cases are strengthened if, through consideration of factors known social-scientifically, there is nonetheless evidence of uniformity. The more surprising the uniformity, the greater the conviction any generalization will carry.

No one disputes that a single case may be a useful source of hypotheses, or may refute a universal generalization, or demonstrate the existence of a phenomenon which needs to be taken into account. *A fortiori* and similar arguments, though seldom discussed, create little difficulty. As soon as it is recognized that there are degrees of plausibility or confirmation, not just simple right and wrong, many difficulties vanish, since these are plainly affected by the character of cases: a least-likely case provides a strong confirmation (Eckstein, 1975: 119); a case very different from those previously studied gives a greater confidence than a similar one (cf. Polya, 1968: 4-20); and so on (1988: 17-18).

However, one must recognize that many comparative historical studies typically cover only a few cases and, therefore, though they gain by providing a detailed and nuanced account of events in those cases, they sacrifice the advantage of having a larger number of cases which allows one to make fuller use of the comparative method to eliminate spurious factors (Rueschemeyer & Stephens, 1997). Nevertheless, when designing the research strategy, I felt that a representative sample of credit unions would add little to the analysis. All a representative sample would do is add a degree of assurance that the cases studied had not omitted types occurring often enough to appear in them; but would introduce a further problem of defining the population

from which the sample was drawn (Platt, 1988: 22). And, in terms of the process of inference to general propositions, May (1997) argues that this process is always 'logical' rather than 'statistical'. Statistical inference, which requires a number of cases, tends to effectively focus on the concomitant variation of two characteristics. The analyst must still go beyond the sample and resort to theoretical thinking to link those characteristics together.

In respect of my work into the question of sociological measurement, I concluded that any attempt to reveal the emotional infrastructure of credit unions could not be explained in terms of any particular quantifiable factor alone. As Elias stresses, analyses into notions and bases of affect cannot be explained by means of procedures aimed at measuring 'factors' or 'variables' as if each of them existed and could vary all by themselves independently of the whole social configuration. Neither could they be explained by means of procedures based on the tacit assumption that social phenomena are combinations of variables comparable to the combination of atomic particles which serve natural scientists as one of their principal models (Elias & Scotson, 1994, Elias, 1987).

Elias himself tended to focus on what he termed, 'real cases'. In this study, by utilizing a case-oriented strategy in a comparative method it is hoped that this can facilitate understanding of these specific cases because of their intrinsic value as examples of credit union formation and development. What the research strategy was designed to do was to enable potential generalizations about these elective associations in the first case to be tested against the other cases. However, the

generalizations that are made in this process are not claimed as universally valid, but valid only for cases similar to those studied. As Deising argues:

Comparison provides a bridge between the variability and uniqueness of a case and the uniformity and generality of theory. The bridge is two-way: it makes theory available to guide and control observation, and it makes observation available to test and improve theory (1972: 184)

And as Ragin also says:

[C]ase-oriented methods stimulate a rich dialogue between ideas and evidence. Because these methods are flexible in their approach to the evidence – few simplifying assumptions are made – they do not restrict or constrain the examination of evidence. They do not force investigators to view causal conditions as opponents in the struggle to explain variation. Rather, they provide a basis for examining how conditions combine in different ways and in different contexts to produce different outcomes (1987: 52).

In short, adopting a case-oriented strategy in the research design process was done with a view to facilitate an on-going dialogue between the theory and the empirical research (van Krieken, 1998:163).

5. Chapter Overviews

The concept of elective association is examined in greater detail in **Chapter 2**. The discussion begins by looking at the long-term development of the concept of ‘community’ in sociology, referring to Bell & Newby (1976) to discuss the ‘Tönniesian legacy’ they find within the *Gemeinschaft* category. This ‘legacy’ Bell & Newby identify, and its continuing influence, is revealed through a critique of the communitarian theories of Etzioni (1993; 1997), and the chapter goes on to argue that it is Elias’s theory (1974; 1994) of communities as figurations that re-invigorates ‘community’ as a reality-congruent concept. Schmalenbach’s (1977) ‘Bund’ concept is then examined and it is argued that his extension of Tönnie (1974) *Gemeinschaft/Gesellschaft* schema enables one to examine many different forms of elective association and explain the affective motivations within them. In doing so, aspects of Hetherington’s (1994; 1998) work into contemporary expressions of identity are discussed in relation to his use of Schmalenbach’s concept. Schmalenbach’s influence is also seen in Maffesoli’s (1996) investigations into contemporary forms of ‘emphatic sociality’ and ‘neo-tribes’. Cohen’s (1985) symbolic construction of community thesis is considered in relation to the question of boundary formation and, especially, the examples he provides to show the considerable array of symbolic boundaries that are drawn between numerous different groups in modern times. Cohen’s skillful use of different empirical examples then draws the chapter into a brief discussion of conceptual clarity with regards to Schmalenbach’s concept. Shils’s (1957) work on human ‘ties’ in personal and ideological primary groups, and his references to Schmalenbach, are also considered.

And Shils's distinction between ideological and personal primary groups leads to a note on the different motivations for trust between people.

Chapter 3 traces the origins and development of the Raiffeisen credit unions of south-western Germany between 1860 and 1913, and places their development against the parallel development of the Schulze-Delitzsch credit unions of eastern Germany. The chapter draws on Weber (1985) to show the structural context within which these elective associations emerged, and highlights his analysis of the particular social relations among the former peasant class from which the Raiffeisen credit unions drew the majority of their memberships. The chapter also considers its findings in relation to aspects of Schmalenbach's thesis, and refers to de Swaan (1988) and his work into workers' mutualism and social constraint towards self-constraint. The chapter concludes with a brief excursus describing the emergence of credit unions in Austria-Hungary and Italy, highlighting the importance of the common bond aspect in both cases.

In examining the origins and aspects of US credit unions, **Chapter 4** traces the development of what is now the world's largest credit union movement. Its early history is explored, with specific reference to the case of credit union formations in Manhattan from 1914. Lipset's (1964) investigations into the emerging American national value system and other data detailing the then dominant societal attitudes and standards of behaviour concerning the borrowing of money, are supported by the evidence of the successful accommodation of these dominant values by these fledgling credit unions through their common bond aspect. Specifically, through members' committees awarding loans strictly for 'productive' purposes, guaranteed

by the 'good character' of the borrower as judged by fellow members. Furthermore, the chapter goes on to show that the mutual stress on individual achievement and conformism that Lipset reveals as a key aspect of the American character, could be successfully reconciled with membership in a credit union

Chapter 5 analyses the significance of the common bond in contemporary English credit unions with reference to the ideas put forward by Giddens (1990; 1994) concerning the bases of trust in reflexive modernity. The data for this chapter comes from existing secondary sources and from interviews with respondents from credit unions in Yorkshire and Lancashire. Both the interview and secondary source data is also considered in the light of Bauman's (1998) investigations into the structural conditions of the emergent 'consumer society'. The significance of the common bond aspect in relation to the current rift within the developing British credit union movement is outlined, as is its significance in relation to the bases of trust between members. Evidence of established/outsider relations (Elias & Scotson, 1994) are revealed through an analysis of a secondary source case study into an attempt to establish a credit union among three communities, and data gathered on English community credit unions in particular is shown to support Scott Lash's (1994) critique of Giddens and the observations Lash makes in respect of the 'reflexivity losers' of reflexive modernity. A note is also made of Giddens' lack of clarity in respect of the different motivations for trust, first covered in Chapter 2. And Shils's insights into ideological and personal primary groups are considered in view of the fact that all the respondents are active volunteers and officers in their credit unions, and sometimes within the wider credit union movement.

Chapter 6 continues the focus on English credit unions but develops the analysis through an examination into the relationship between them and the ‘expert knowledge’ (Giddens, 1990: 1994) that they have come into contact with – both in terms of attempts at credit union formations by various local authorities and through the regulation of their activities as financial co-operatives by the Registry of Friendly Societies. Further aspects of Lash’s (1994) critique of Giddens are covered, most especially his claims that Giddens places too much emphasis on the effect of ‘expert systems’ in relation to intimate relations at this stage of modernity. The characteristics of ‘reflexive communities’ that Lash describes and identifies as a growing phenomenon reflexive modernity are argued to have much in common with the ideas of Hetherington (1998) and Maffesoli (1996) and, crucially, their use of Schmalenbach’s (1977) *Bund* concept. However, a note of caution is sounded in respect of the insights gleaned from Shils (1957), as well as the conceptual vagueness that can result when ‘trust’ is used without enough regard being paid to the distinction between affective and rational trust. The chapter concludes by outlining the changing regulatory environment in relation to English credit unions and presents some thoughts on the prospects this may hold for the common bond aspect.

Chapter 2

The Concept of Elective Association

Introduction

Having now described the main functions, structure and characteristics of credit unions as elective associations chiefly concerned with financial cooperation among their members, this chapter will introduce and examine the range of concepts that have been selected to analyze the cases of credit union formation and development laid out in the subsequent chapters. The layout of the chapter begins with initial conceptual reflections and critique, and then addresses each selected concept in turn. Presenting the chapter in this way is intended not only to provide a logical and hopefully accessible framework for the reader, but also to show how different aspects, or elements, of the selected concepts have been applied to particular historical and contemporary cases of credit union formation and development.

As stated in the introductory chapter, it is the emotional undercurrents, the particular forms and shades of affective bonding that exist within this elective association, that provides the overall focus of this study. That is, the required ‘common bond’ aspect of credit union membership that has been a key characteristic of virtually all examples of this elective association throughout the world. In the first instance, therefore, any

concept seeking to ‘capture’ this particular aspect of credit unions would seemingly be based on a general premise that they exhibit at least certain characteristics of a ‘community’ of one kind or another. Thus, they would be expected to operate within boundaries and territories, serving to demarcate membership and non-membership. However, suggesting that many credit unions display *affective*-based demarcations of inclusivity and exclusivity, requires the researcher to engage with a concept which although widely used in many different specialisms within the sociological field, has nonetheless been subject to a considerable amount of different interpretations and uses. Indeed, in a recent well-crafted dictionary of sociological terms (Jary & Jary, 1995), the encyclopedic entry for the term ‘community’ defines it as one which in current sociology has both descriptive *and* prescriptive currency. Depending on one’s point of view, ‘community’ can be used as a purely analytical tool, but equally can be loaded with normative and ideological connotations. Hence, the term is employed to categorize and identify physical and geographical characteristics of human settlements and groupings of numerous kinds, *and* to conceptualize and hypothesize on the nature and quality of the social relationships sustained by them (1995:100-101). This vagueness and controversy surrounding one of sociology’s unit ideas has been long debated (see below). Yet, considering the considerably different theoretical interpretations and empirical requirements that can potentially be levelled at a hypothesis whose initial premise is that ‘credit unions display community characteristics’, it is necessary that one seeks to discern which particular definition of the term ‘community’ would best be placed against credit unions as a social phenomenon. Indeed, whether *any* currently applied definitions of the concept of community are useful in this case at all.

1. The Long-Term Development of the Concept of 'Community'

For some time now sociologists have moved away from long-range theories. They have tried to make do with lawlike theories of the middle-range (so-called). These are usually little more than short- and narrow-range generalizations abstracted from selected aspects of their own relatively differentiated societies; they leave out of account less differentiated societies of the past and of their own time as well as the whole movement of the structured sequence of changes leading from the long process of the past through the short present towards a future. A peculiar distortion has followed from this foreshortening of the sociologists' field of vision. Under the name 'modern' the short-term problems of the sociologists' own societies and high level generalized abstractions from them stand in the centre of the field almost in isolation. The long process of past developments has shrunk into a single type of society called 'traditional' and the future appears as a largely quantitative projection of short-term trends of the present.

Elias, (1974: xvi)

Forming part of his wider argument for the development of process-theories which do not abstract from the succession of changes that societies undergo and seek instead to model the structure and sequential order of long-term diachronic social change, Elias considers much community research to be hampered by terms that are, as he says, 'shrouded in a voluntaristic twilight' (1974:xvii). That is, in blurring the distinction between human bonds that can be made and unmade at will by those concerned, and human bonds which cannot be made and unmade at will, terms carry a distinct implication that human beings are always free to act, to interact, to form relationships as they like. In Durkheim, for example, Elias considers the concept of 'organic solidarity' as carrying an implication of functional interdependence between people

mirroring that of organs in an organism. Solidarity apparently being arrived at, and with it interdependence, as a result of people's moral decisions. So too in more recent concepts such as 'role', and 'interaction' Elias can see a bias towards focusing sociological research on how individual people act or behave when they make contact or form relations with each other. For figurational sociology, however, the fact that people are dependent on each other in a great variety of ways limits the scope of their choices and their actions. Useful concepts, he argues, should reflect this.

1.1 'Community' as Myth

It was the perceived lack of useful propositions for serious sociological analysis of communities that prompted Stacey's (1969) widely-regarded article examining the paucity of available concepts for community researchers. Often held as the 'first word' in the contemporary debate on this issue within British sociology, Stacey holds that a number of prominent concepts of 'community' are in fact so theoretically vague as to be virtually useless. Indeed, notions of 'community', she argues, are often employed as amorphous catch-all terms supposedly referring to any social grouping, or agency, within which an individual is introduced to social relations outside the confines of the family. As Stacey rightly points out, various agencies are involved in this process of introduction (e.g., parents' kin and friends, neighbours, teachers and peers at school, and so on) and they may, or may not, be interrelated. If they are locality-based *and* interrelated, then a local *social system* may be argued to exist and be worth studying. However, such a social system may, or may not, display community characteristics.

Stacey's 'social system' concept is, as she admits, largely consonant with Parsons's 'societal community' concept, where normative patterns define what are regarded to be proper, legitimate, or expected modes of action or of social relationship (1969:140). Subsequently, a 'social system' hypothesis would be set in the broader context of system integration. What is particularly interesting in Stacey's approach, however, is her stress that the concept of a local social system involves both *structure* and *process*. For her, therefore, this necessitates not just stating what institutions are present in a local social system, but also revealing the processes of their operation. Further, it requires not just an examination of which institutions are connected to which others, but also the processes involved. Most importantly,

Process involves movement and it follows that no social system is static. This I take as axiomatic. Processes take *time* and the dimension of time is therefore ... essential to the conceptualization of any social system. In this discussion time will be treated as an empirical condition relevant to the state of any local social system. That is to say that state of a system at a given moment of time will be considered and the temporal conditions which have led to that state and what may follow will be indicated ... [I]t should be understood that such states are to be perceived as part of a dynamic process (1969:141).

This perceptive aspect of Stacey's critique has tended to be overshadowed by her forthright rejection of 'community' as a worthwhile concept – at least in the form that prominent studies and arguments had tended to use the term up until that time.

However, from the 31 propositions about local social systems that Stacey outlines towards the end of her article, the focus tends to lean towards how local institutions, or agencies, can or may affect existing community relations – or, indeed, destroy the

existing local social system altogether (1969:141-145). Certainly this is not an invalid approach. But there are some points of concern that arise. For example, from her broadly Parsonian foundations, Stacey states that a local social system will have a system of beliefs and expectations associated with it. And if a majority of the local population do not share to any considerable extent common groups, institutions, beliefs and expectations, then it will follow that no *one* local social system will exist for that locality. Moreover, indifference to each other in a population, or even overt conflict, will indicate that no local social system exists. However, considering the increasing differentiation evident in contemporary British society and with it the lengthening chains of interdependencies, communities can be seen to have lost many of their traditional functions to higher levels of integration. Subsequently, the study of many different localities in order to discern the existence, or not, of a local social system would seem to be of limited value. Sociologically, perhaps a better approach would be to research the changing nature of interdependencies and affective bonds among members of geographically bounded areas the better to establish the level of cohesion among people of a particular local social system and, with it, the level of dependence on their community that members have in their everyday lives. Further reflections on this increasing differentiation in contemporary society are addressed in a later section of this chapter.

Undoubtedly, the strength of Stacey's critique and propositions lays in her attempt to put forward perceptive counterparts to the normative and ideological assumptions that had hitherto plagued concepts of communities. They are intended as a series of checks and balances for those using the term and are designed to be addressed fully before a theorist or researcher is tempted to declare the existence of a community. And in her

view, the term itself appears so rigid and yet so vague that its use serves only to confuse hypotheses and narrow empirical scope.

1.2 The Different Conceptual Forms of 'Community'

When Bell & Newby (1976) considered the theoretical and conceptual distinctions between different applications of 'community' that were evident within the multitude of approaches concerned with the study of urban social structure during the 1970s, they identified three broad perspectives on the term:

- i) Community as a 'geographical expression', i.e. a finite and bounded physical expression.
- ii) Community as a 'sociological expression', i.e. a local social system (Stacey, 1969).
- iii) Community as a particular kind of *human association* irrespective of its local focus.

Indeed, despite the influence of Stacey's seminal paper, Bell & Newby's research revealed that the vast majority of sociological approaches to urban communities still failed to examine the assumption of the coincidence of a local system with a particular kind of social relationship. While they found a number of sociologists eliding all three broad perspectives, and urban and rural sociologists have tended to concentrate on the second, too often the close involvement of researchers in the object of their studies or particular ideologies held by them have seen them prescribe the *third*

distinction of community – a particular kind of relationship – to which its spatial grounding has only been a subsidiary consideration.

In effect, what so concerned many nineteenth century observers – that is, the effects of urbanization and industrialization processes on the breakdown of traditional forms of authority and the potential threat it was feared they posed to social order – can be seen to have been superseded in the twentieth century by a host of value judgements among sociologists particularly which still sees the *local* basis of social structure elevated above all others. Observing the long-term development of ‘localism’ as an ideology, Bell & Newby chart how the growth of urban industrial capitalism since the end of the eighteenth century has brought about the steady dilution of localism as a structural principle of contemporary society. However, almost in direct parallel to this, there has been a steady growth of a consciously articulated ideology of ‘community’ which had previously remained unarticulated and taken-for-granted.

Undoubtedly, ‘community’ has a real social basis in the essentially localized structure of traditional, pre-industrial England. And yet we can also observe how ‘community’ *as an ideology* has been used to interpret the *nature* of relationships *within* this local social system. For example, one may observe how a rigid and arbitrary exercise of power has been converted into an ethic of ‘service’ to those over whom the local elite rule ... and how an exploitative system has been converted into an ‘organic’ society of ‘mutual dependency’ ... This ideological usage of ‘community’ has emphasized a *common* adherence to territory, a solidarity of place, to both élites and subordinates alike. It has denied the existence of any conflict of interest, but has instead interpreted relationships as being characterized by harmony, reciprocity, stability and affection (1976:200-201).

As the growth of urban industrial capitalism accelerated throughout the nineteenth century, marking the end of a society based upon a federation of local social systems, there rose an tangible fear within the propertied classes of the potential chaos and anarchy presented by the ecological separation of the manufacturing urban poor from their 'betters'. Subsequently, increasing efforts were made to reassert the ideology of 'community' as a guide to social control. These sentiments remained particularly strong among urban planners well into the twentieth century and resulted in various attempts at social engineering both in Britain and the US towards the creation of 'urban villages', 'garden cities', and other such 'neighbourhood units' that were all intended to re-establish the social controls of localism.

The neighbourhood unit idea undoubtedly had some basis in social fact, just as in traditional society 'community' as an ideology often corresponded to some actual local social system which bounded the everyday social relationships of its inhabitants ... [However] life in, or on, the verge of poverty ties an individual to his immediate neighbours through a reliance on mutual cooperation and dependency in an urban as a rural setting. The local social system of the neighbourhood is, therefore, a product of extra-local economic constraints, made manifest through the housing market, for instance, rather than the careful nurturing of any 'spirit of community' (1976:203).

Bell & Newby go on to show that the long historical pedigree of value-judgements that have tended to assume a logical connection between human beings' desire for affection, integration, identity, and so on, and the existence or creation of *local* forms of territoriality or social systems, have found their way into sociological theory as a

direct result of the legacy of one of the discipline's unit ideas: Tönnies's *Gemeinschaft/Gesellschaft* schema.

1.3 The Tönniesian Legacy

While Tönnies's concepts do refer to forms of human association rather than types of settlement, he nonetheless grounds these types of relationship in particular patterns of settlement and in particular geographical locales. This, argue Bell & Newby, is Tönnies's most 'mischievous legacy' (1976:194) because despite apparently understanding the contingent nature of localism by conceptualizing three forms of *Gemeinschaft* ('community of place', 'community of blood', and 'community of mind'), he nevertheless consistently uses the term to also describe the *affective* quality of these relations and their rootedness in 'traditional' ties of communality.

This is certainly true. Yet, another distinct legacy of Tönnies's central idea stems from the epistemological underpinnings of his theorizing. Specifically, his assumption that all social relationships are created by individual human will – that is, every existing combination of individual thoughts and feelings which, working independently, acts in such a way as to facilitate or hinder other similar combinations of ideas (1899, cited in translator's introduction to Tönnies, 1974:xv). Indeed, he considers that social relationships only exist as social facts through the will of individuals to associate. Interestingly, both the roots of Tönnies's implicit paradox revealed by Bell & Newby, *and* his assumption that all social relationships stem from

individual human will can be identified from the opening section of his *General Statement of the Main Concepts* in Book One of *Community and Association*:

Human wills stand in manifold relations to one another. Every such relationship is a mutual action, inasmuch as one party is active or gives while the other party is passive or receives. These actions are of such a nature that they tend either towards preservation or towards destruction of the other will or life: that is, they are either positive or negative. *This study will consider as its subject of investigation only the relationships of mutual affirmation.* Every such relationship represents unity in plurality or plurality in unity. *It consists of assistance, relief, services, which are transmitted back and forth from one party to another and are to be considered as expressions of wills and their forces.* The group which is formed through this positive type of relationship is called an association (*Verbindung*) when conceived of as a thing or being which acts as a unit inwardly and outwardly. The relationship itself, and also the resulting association, is conceived of either as real and organic life – this is the essential characteristic of the *Gemeinschaft*, - or as imaginary and mechanical structure – this is the concept of *Gesellschaft* (1974:37) [my emphasis].

Then, later in the same opening section, Tönnies goes on:

To make the word combination ‘joint-stock *Gemeinschaft*’ would be abominable. On the other hand, there exists a *Gemeinschaft* of ownership in fields, forest, and pasture ... Wherever urban culture blossoms and bears fruit, *Gesellschaft* appears as its indispensable organ. The rural people know little of it. On the other hand, all praise of rural life has pointed out that the *Gemeinschaft* among people is stronger there and more alive: it is the lasting and genuine form of living together (1974:38-39).

With Tönnies's 'mischievous legacy' ingrained within his initial premise, it was only a short conceptual step to take from this typology of social relationships towards a taxonomy of settlement patterns (Redfield and Wirth perhaps the most prominent examples). And as the concept gained greater currency within sociology over the succeeding decades so too did a widening pool of research which time and time again pointed to an inadequacy with the *Gemeinschaft/Gesellschaft* continuum – and with it the 'rural-urban' or 'folk-urban' continuum that had effectively been placed directly over it (see Lewis, 1951; Bailey, 1970; Gans, 1968; Pahl, 1968). And after years of careful research, Gans's conclusion that, 'Any attempts to tie patterns of social relationships to specific geographical milieux is a singularly fruitless exercise' (cited in Bell & Newby, 1976:195), was effectively re-stated by Stacey a decade later.

1.4 An Example of the Tönniesian Legacy in Contemporary Sociology:

The Debate about Communitarianism

Despite the considerable empirical research that has in many cases revealed the inadequacy of, or effectively repudiated, the Tönniesian legacy, its considerable influence can still be found in contemporary sociology. Most notably, perhaps, locked within the sociological core of the communitarian thesis. Both the main political and sociological strands of communitarianism have enjoyed not inconsiderable influence over the previous decade – especially in the area of welfare issues. From its beginnings as a philosophical critique of liberalism and its excesses in neo-liberal political rationality and libertarian legal philosophy, communitarian authors have taken quite disparate stances on such issues as human nature, institutional requirements of democracy and citizenship. More recently, however,

prominent figures within the field have sought to establish communitarianism as a robust theory in its own right; indeed, a new paradigm of socio-economic analysis posited as a ‘third way’ between excessive liberalism and state-run socialism on the one hand, and as a vehicle for ‘rediscovering’ the link between morality and the social sciences, on the other hand (notably, Etzioni, 1995; Walzer, 1990,). In this respect, communitarian thinkers hold that a morally competent self must be a product of affirmative social participation and of responsible personal conduct. Indeed, they define self-determination as the freedom to find one’s proper place within a moral order of a community. From this perspective, communities are groups committed not only to exchanging marketable goods, or forced by government to maintain unilateral transactions in a state-type setting – such as paying taxes - but are also engaged in a shared destiny and are imbued with a sense of mutuality (Wagner, 1997).

It is Etzioni who provides the core sociological principles of communitarianism in his two main texts, *The Spirit of Community* (1993) and *The New Golden Rule* (1997). In *The Spirit of Community*, Etzioni is in places both definite and ambiguous in his use of and interpretation of the term community. Broadly utilizing the *Gemeinschaft/Gesellschaft* schema, Etzioni on the one hand bemoans the loss of ‘traditional community’, stating that having lost the ‘moral voice’ of their community’s values and networks, nineteenth century rural immigrants to the cities too often fell prey to ‘rowdy and criminal behaviour’ (1993:118) like alcoholism and prostitution. Then, later in the same chapter, he states that even if modern economic prerequisites allowed for a return to ‘traditional community’ (i.e., *Gemeinschaft*), this would be undesirable as traditional communities were ‘too constraining and authoritarian’ (1993:122). Similarly, Etzioni draws on Wilson and Gans to state that

American society is neither *gemeinschaftlich* nor *gesellschaftlich*, but a mixture of the two, and then goes on to praise a member of George Bush's White House staff, James Pinkerton, and his call for a new paradigm focused around a 'new *Gemeinschaft*' (1993:122.). In *The New Golden Rule* (1997), Etzioni addresses some of the initial criticisms of his thesis, yet does not really resolve the ambiguities that arise from his own theorizing. He takes care on this occasion explicitly to define what he considers a 'community' to be – placing his definition alongside the criticisms of both Stacey and Bell & Newby – but does not go beyond their basic initial arguments against the over usage of the concept. In fact, his definition is in essence a restatement of Tönnies's original.

Several critics have argued that the concept of "community" is of questionable value because it is so ill-defined – that it has no identifiable designation. In "The Myth of Community Studies", Margaret Stacey argues that the solution to this problem is to avoid the term altogether. Colin Bell and Howard Newby argue, "There has never been a theory of community, nor even a satisfactory definition of what community is" ... Community is defined by two characteristics: first, a web of affect-laden relationships among a group of individuals, relationships that often crisscross and reinforce one another (rather than merely one-on-one or chainlike individual relationships), and second, a measure of commitment to a shared set of values, norms, and meanings, and a shared history and identity – in short, to a particular culture (Etzioni, 1997: 127).

Etzioni states that a shared history is a necessary condition of a community, yet in his very next section suggests that many other forms of human association, ranging from Freemason lodges to those who share transport to their place of work, can be termed

communities ('quasi-' or 'sub-communities' as he calls them). The main difference between them being the strength of the 'moral voice' which he considers every community to have in differing strengths; and it being the 'moral voice' which prevents humans from losing the 'good and virtuous character' of their natures (1993:187).

Perhaps not surprisingly, recent critics as well as supporters of Etzioni's thesis have come across problems with his concepts. In a recent article, Bauer (1997) sees the link between Etzioni and Tönnies, but attempts to attach conceptual significance to the frequent usage of '*Gemeinschaft*' in everyday German speech (1997:72).

Crawford (1996) recognizes that the ambiguity in Etzioni's concept can be seen to provide politicians with a convenient filler to the void perceived to have been left as public responsibility and civic duty were devalued by the neo-liberal marketization of everyday life and its dogma that the 'public good' is merely the outcome of individual market-driven decisions and choices. Yet, just as Wirth and others took Tönnies's paradox and made a taxonomy from a typology, so Crawford perceptively points out that with such an ambiguous concept, politicians have increasingly used communitarian-influenced rhetoric where 'community' is presented as the opposite of 'fragmentation', and that it is in appeals to communitarian-inspired notions of 'community' where the political debate surrounding shifts in the legitimate responsibilities of organizations and the state are currently being played out (1996:249-250). And Giddens, while concurring with Etzioni that communities provide the ethical values from which a 'wholesome civic life' is possible (2000:63), recognizes that Etzioni relies on his concept 'too much' – using it as he does to

account for virtually all forms of human sociation occurring outside the sphere of *Gesellschaft*.

In effect, by attempting to re-establish 'community' as a vibrant sociological concept where contemporary individuals assimilate ethical values and core notions of civic morality, Etzioni offers a definition of community which is actually static and law-like. He is, in effect, *prescribing* community rather than explaining it, basing his reasoning on a notion of the mythical 'traditional community' and suggesting that sociological studies should direct their attention towards examining each element of the web of social relations that make a community in order to discern whether they reinforce, neglect, or undermine the 'moral infrastructure' (1993:187).

1.5 Communities as Figurations

As Elias eloquently shows, the term community can still have resonance and practical application for researchers and theorists if freed from the static, law-like assumptions that have tended to hamper its validity as a sociological concept.

Elias defines a community thus:

A community ... is a group of households situated in the same locality and linked to each other by functional interdependencies which are closer than interdependencies of the same kind with other groups of people within the wider social field to which a community belongs. Specific reciprocal dependencies of people having their home in

relatively close propinquity within certain visible or invisible boundaries form, as it were, the primary common ground which relates communities of all kinds to each other. In almost all cases these dependencies are unevenly reciprocal, that is to say, there are power differentials; and they include forms of personal and affective interdependencies represented in their simplest form by common gossip circuits, by the exposure of the community members to the pressures of praise and blame gossip and to their emotional involvement in gossip tensions and battles which are often the prelude or the symptoms of power struggles by other means.

One can distinguish between communities of different types shading into each other because the structure and pattern of interdependencies between people who have their home in the same locality change with the development of societies. They change in a manner which is as clearly structured as the development of the societies where these community changes occur (1974:xix-xx).

In predominantly agrarian communities within relatively undifferentiated societies the interdependencies binding those who form these communities to each other tend to be all-embracing. In most aspects of these people's lives they are interdependent.

Whether economic, religious, sexual, political, medical, educational – or one of the strongest determinants of a community's structure in earlier stages of differentiation and integration, interdependence due to the exposure to physical violence in struggles with other groups – the range of social functions which have to be performed is much wider than it is in communities which form part of more differentiated societies and which are integrated together with many other groups into a relatively durable state.

As a society becomes more differentiated and the chains of interdependencies lengthen, so social functions assume a more impersonal or even a semi-public or public character.

In a less-differentiated society, therefore, a community can be one of the highest *effective* levels of integration of people. As a society becomes more differentiated and the hierarchy of levels of social integration grows in size and complexity, the range of decisions which can and must be taken at the community level decreases. Regional and continental levels of social integration come to increasingly canalize the lower levels of social integration as the range of decisions taken at these higher levels necessarily increases. Communities, thus, develop into one of the lower levels of integration. Nevertheless, functions for the satisfaction of sociability needs and leisure needs can promote a measure of integration even in localities of highly differentiated societies and can endow them with community characteristics. Yet, these functions tend also to decline when the transport mobility of a locality's residents increases and when they can afford to satisfy some or most of their sociability and leisure needs outside their place of residence. Indeed, this fact can have a direct bearing on the level of cohesion visible among one group within a locality and another (see *The Established and the Outsiders*, 1994). In short,

[I]n less differentiated societies many more functions are performed at the community level than in more highly differentiated societies and ... communities lose functions to higher levels of social integration which develop, sooner or later, in conjunction with an increasing differentiation of social functions. The nexus of interdependencies at the community level in other words, changes in a clearly recognizable way together with that of the nexus of interdependencies in the wider social field of which a community forms part. In accordance with the phase of development of societies and in the light of this development these changes can be explained (1973: xxxii).

In contemporary differentiated societies, many communities are virtually devoid of any other functions than that which they have for some personal needs of their members. Often, the pressure and inescapability of the social control which community members tend to exercise upon each other is still present. Yet, communities in differentiated societies can easily fail to provide the personal satisfactions that their members desire. As a result, a pattern of life can emerge in which community members hover on the margins of boredom, dissatisfaction and frustration. As transport mobility has opened opportunities outside people's communities for the satisfaction of needs not met within them, so this has contributed to a further loss of community functions in people's locality. With the greatly increased scope of personal choice resulting from transport mobility, people have tended to turn to commercial organizations which offer services with some community functions (e.g., holiday camps and resorts) but as the basis of these services is an economic transaction, people can avoid them if they do not provide the expected satisfactions.

Similarly, many voluntary organizations – such as, charity and party organizations, lifestyle associations, church and sectarian movements – can pursue their overtly legitimizing aims and tasks by providing some community functions. And these can include a network of extrafamilial personal bonds with power differentials, gossip channels and sociability functions. Furthermore, community functions of this type can play a part, or can even be explicitly fostered, in organizations and institutions with an unambiguous dominance of impersonal public functions and interdependencies – such as, public and private enterprises, universities or hospitals. Indeed, if one considers that community functions can exist in organizations and

institutions like these, the very term 'formal organization' itself begins to reveal inadequacies as a useful theoretical device.

The distinction ... between social positions where people's functions for others predominate and those where the main function is for the holders themselves, gives a clearer picture. In the former type of positions the functions for the occupants themselves are subordinate to those they have to perform for others, but they are never absent. Hence all these impersonal and public organizations are full of personal undercurrents. Whatever their impersonal and public functions are, they also often have, in varying degrees, the character of undercover communities; they are beehives of personal groupings and interdependencies full of bonds of sympathy and antipathy, affection and emotional loathing, with a gossip flow and gossip struggles structured in accordance with the power differentials and many other characteristics of residential communities (1974:xxx-xxxi).

From this theoretical starting point, Elias considers that it is not surprising that specialists like Colin Bell have sought to establish a new orientation in the whole field of community research – one which can no longer be confined to groupings of people who are residents of the same locality. But he goes on to warn that important questions of conceptual economy and precision arise when one seeks to extend the concept of community in this way. Specifically, in widening the conceptual net, community researchers would be required to distinguish between local and non-local, between residential and non-residential communities; and would at the same time have to account for their use of the term 'community' in both cases. Elias suggests that a way forward may be found in a dynamic theory of social bonding which pays attention to the emotional, as well as to the power aspects of social bonding, '[f]or

these are among the main links between the type of locality-bound communities encountered in highly industrialized and integrated nation states where the main community functions of localities are functions for people's personal lives, and the type of 'communities' which are not locality-bound' (1974:xxxix). Alternatively, Elias suggests that a whole new specialized field of sociological studies could be opened up to examine the whole field of sociable groupings and sociability.

By using Elias's concepts of 'social interdependencies' and 'social bonds' (where both interdependencies and bonds are neutral concepts and so can give rise to both conflict as well as cooperation and compromise), community researchers can better observe changes in people's interdependencies (or bonds – the concepts are interchangeable) by comparing communities at different stages of the development of societies – and thus will show the firmness of the structure of long-term social processes.

1.6 Observations

Although Elias offers a coherent new orientation for the study of communities, overcoming the theoretical impasse that has hitherto beset so many sociological approaches to the field, the questions of theoretical economy and precision that he warns researchers must address whenever they analyze non-residential communities has distinct implications for the study of credit unions. As we have seen, the vast array of 'common bonds' that credit unions use to demarcate membership would suggest that any hypothesis centred on the concept of 'community' may have limited value in attempting to explain the aspects and characteristics that different examples

of this social phenomenon share in common. In short, one could still easily fall into the trap of overstepping the boundary of the concept when comparing one case with another, as there are as many examples of non-residential common bonds between credit union members as there are locality-bound examples. Furthermore, with the inherent ambiguities of 'community' and '*Gemeinschaft*' that are so deeply ingrained within theoretical sociology, even utilizing Elias's framework could still see any figurational study into credit unions simply forming part of the burgeoning library of research into communities with no unifying theoretical frame of reference as a guide in the framing of problems and the selection of evidence. In this respect, it may be valuable to consider whether further attempts to stretch the boundary of the community concept to cover so many different human groupings would be simply to offer further hostages to fortune. That is, rather than seeking to expand even further such a contested sociological concept, a better approach may well be to take Elias's initial definition as the concept's boundary and seek to apply another concept which may be useful in the general study of elective sociality.

2 The Concept of 'Bund'

The first aspect of Herman Schmalenbach's 1922 essay, *Die Sociologische Kategorie des Bundes*, that strikes one is his evident exasperation over that fact that, even at that relatively early stage in the development of the concept of 'community', it was both vaguely defined and over-used. 'Community', he says, 'has become a catchword used to designate every possible (as well as the most impossible) delusion of the time. Now and again it primarily represents ideals, thus confusing the original meaning of the term' (1977:64). Whilst duly acknowledging Tönnies's astute sociological

insight, Schmalenbach nonetheless reveals him as an ‘heir’ of Romanticism – a thinker who not only incorporated the intellectual stimulation of romanticism, but who also rejected many of the influences arising from the anti-romantic, mechanistic ‘spirit’ pervading through many branches of intellectual life at the time. Tönnies’s great skill as a sociologist lay in recognizing that from the arguments of thinkers such as Novalis, Schlegel, Fichte and Adam Müller, in particular, the acknowledged antithesis of romanticism – mechanical vs. organic – revealed an actual duality. And this important insight enabled him to designate both *Gemeinschaft* and *Gesellschaft* as types of social bonds. A major advance in the conceptualization of social bonds. Yet the Goethe-inspired Tönnies remained zealously enthusiastic about ‘community’ – in the way it had been ‘rediscovered’ by romanticism, along with other bonds like the *Volk* and the nation, and which became increasingly idealized during the ideological struggle against the rationalizing aspect of the society of the ascendant bourgeoisie. This society Tönnies conceptualized, this hated *Gesellschaft*, Schmalenbach recognized as having been logically and rationally deduced by Tönnies from ostensibly Hobbesian premises and Ricardian economics.

Not only did his passion lead to a negative conception of society, to counteract which it then was necessary to develop a positive counterpart, but it also led to a ... ‘sentimental’ ... conception of community. Just as the archaic language, part of the charm of the book, is appropriate for insightful feeling, it leads to conceptual ambiguity (1977:69).

This ambiguity is no more evident than in how Tönnies repeatedly argues that it is only through membership in such relations as family, marriage, kinship and between neighbours, that one can find ‘relationships of mutual affirmation’. Effectively

ignoring that all such relations can manifest countless instances of conflict and animosity is his first, and most cited, theoretical error.

For Schmalenbach, 'community' in its Tönniesian sense, would be of more sociological value if it were considered as being independent of expressed emotions. Crudely, a person is a family member or neighbour regardless of their feelings on the matter. Community is, therefore, perhaps best viewed as a circumstance. All socially operating conditions or facts give rise to communities, independent of the people who comprise them but on which they are dependent, to a greater or lesser extent. This is not to negate the often powerful feelings people may have towards their community, be they sympathetic or antipathetic. But these feelings can in no way be drawn on to account for the establishment of communities or the individual's membership of them.

Indeed, membership in a community can be largely unconscious unless it is threatened in some way. Yet, a distinct legacy of the Romantic tradition has been the conceptual assumption that feelings are the basis of community relations because they are considered, erroneously, to be deeper or more 'meaningful' than rational thought. For Schmalenbach, however, community is better characterized as that order of social coherence which develops on the basis of 'natural interdependence', which 'includes all those attributes that one has inherited collectively ... a matter of custom and of shared modes of thought or expression, all of which have no other sanction than tradition' (1977:95). From his reading of Tönnies, and others, Schmalenbach saw that many arguments and conceptual tenets concerning community actually masked a diffuse yearning for it. And he perceptively recognizes that should this desire continue to coagulate with sociological abstraction, yearning for a particular

community could all too easily develop into yearning for community-in-general (effectively anticipating the sociological career of the concept).

This argument becomes even more compelling if one draws a conceptual distinction between the types of ‘unconscious’, ‘given’ bonds that characterize community/*Gemeinschaft* and those forms of human association that are bound together by feelings *actually experienced*. That is, constructing a concept that can be applied to the study of human groups that arise from conscious elective affinity. And this is what Schmalenbach does, seeking to place a third category alongside Tönnies’s dualism – the *Bund* concept.

From his essay, one can define Schmalenbach’s *Bund* concept as: an elective form of sociation which is maintained through the affective solidarity its members have for one another in pursuit of a particular set of shared beliefs. ‘*Bund*’ is usually translated from German into English as ‘league’, ‘federation’ or ‘communion’, and Hetherington (1994; 1998) has traced how the use of the term in German developed from the second half of the thirteenth century, when it described a legal covenant, or a federation/alliance – often of German principalities. During the fifteenth century, the term begins to be used to describe less institutional forms of bonding. Notably, as in *Bundshue* or ‘Tied Boot’, where it describes a close union and solidarity of peasants struggling for legal rights in association with strong political and religious beliefs. Tracing the use of the term through the subsequent centuries up to Schmalenbach’s concern with it, Hetherington sees it retaining religious and political connotations (with different groups stressing either aspect more than the other depending on their particular concerns). But he also finds it associated with informal, sometimes ‘secret’

societies, such as the Freemasons, the student-led '*Deutscher Bund*', and the Stefan Georg circle. Hetherington perceptively recognizes that Schmalenbach's inspiration stems from the Bund as an idealized form of sociation found in German youth movements, such as the *Wandervogel* – a group with Romanticist roots, offering young people a sense of communion in small groups, seeking to provide a sense of fusion and an idealized authentic experience of the 'lost' *Gemeinschaften* of the past.

At its core, Schmalenbach's concept is a phenomenological critique of Tönnies's *Gemeinschaft* category, inspired by Husserl as well as Simmel's study of social forms. Schmalenbach's essay also applies the concept in a critique of Weber's theory of the routinization of charisma and his fourfold typology of social action. Indeed, Schmalenbach seeks to place *Bund* in a trichotomy of fundamental sociological categories alongside *Gemeinschaft* and *Gesellschaft*. *Bund* is conceptually distinct from *Gemeinschaft* as it is not based in the unconscious, or grounded in the Weberian notion of traditional social action. Rather, *Bund* is a wholly conscious phenomenon deriving from mutual sentiment and feeling more akin to affective social action. Schmalenbach considers that Weber posits a false dichotomy when he argues that rational action is grounded in the conscious and irrational action in the unconscious. Feeling does not stem from unconscious irrational motivations, but is a conscious phenomenon that cannot be reduced to simple rational or irrational categories. Feelings, thus, form part of people's *affectual* action. For Schmalenbach, Weber subsumes affectual action within the bounds of traditional action, which is itself based on unconscious motivations.

Schmalenbach's main aim is to stress the significance of forms of sociation (in a Simmelian sense) into which social action is organized, coupled with a phenomenological apprehension of the unconscious motives of individuals engaged in social action. This allows him to treat the individual as both subject and object of analysis in a way that avoids Weber's methodological individualist standpoint, with its stress on the use of *Verstehen* in relation to the individual's conscious motives for action (Hetherington, 1994:10).

Schmalenbach takes an important step in stressing the conscious and important part that affective action plays in interdependencies. However, taking his theoretical foundations from Simmel's epistemology, Schmalenbach's theory carries distinct echoes of what Elias terms individualistic *homo clausus* assumptions. Also, sharing Simmel's view of the unique individual, there are passages where this premise sits a little uneasily with his own important insights into the importance of affective behaviour and motivations. Where he is most successful is in showing how, from a *Gemeinschaft/Gesellschaft/Bund* trichotomy, one can more adequately account for elective associations and the importance of affective motivations within them, without having to restrict oneself to supposed examples of how individuals cope, or not, with the perceived atomizing conditions of modernity. Bell & Newby draw on this aspect of Schmalenbach's theorizing especially, identifying a possible rich vein of research that could stem from the *Gemeinschaft/Gesellschaft/Bund* model. In particular, they argue, this model can allow sociologists to construct hypotheses that seek to examine the development of rational, *gesellschaftlich* forms of association and the promotion of new forms of intimate human *Bünde* that this process periodically provokes – *bundlich* relations, moreover, that may well provide the basis of various kinds of political mobilization (1976).

In a review article, Bauman (1980) highlights the religious connotations that Schmalenbach introduces in his positing of the *Bund* category, and such a view could easily become synonymous with the concept in British sociology, at least, considering that the usual preferred translation of the term into English, is 'communion'.

Actually, in another essay, Schmalenbach supports Weber's strategy of positing the 'ideal type' as a conceptual device, and subsequently focuses on small-scale religious movements in particular as he considers them to display characteristics of *Bund* in its 'pure form'.

... it is characteristic of today's general world-wide yearning for 'community' and also for the 'friendship club' of romanticism ... that religious yearnings are closely related to it. Even when this is not completely obvious and apparent, there is something of a religious atmosphere (which I hesitate to call 'religion') with respect to which [*Bünde*] take on a profoundly 'sacred' character (1977:71).

Crucially, Schmalenbach states that his category describes the many different reflexive forms of sociation attempting to counter the dominant trend of rationalization of his time. Furthermore, he takes pains to stress that he considers the temporal aspect of each separate category of his model to be axiomatic, and therefore he views history as a constant interplay of the forms of sociation located within his trichotomy. As such, there are no prescriptive, law-like tenets associated with *Bund* as a sociological category; each example of *bundlich* relations will always bear the stamp of the wider structural conditions under which they arise.

The meaning of fidelity in the old Germanic system of knighthood is noteworthy, one of the most outstanding examples of [*Bund*] relationships ... In those eras, where sociality is so unusually defined as a phenomenon of the [*Bund*], an enhanced valuation of fidelity is needed to provide solidarity in such relationships.

What Calvinism signifies to us ... is the stoicism of antiquity. However the [*gesellschaftlich*] modern period was clarified and formed out of a world that had a completely different kind of social structure. The [*Gesellschaft*] of the modern period evolved, not suddenly but throughout the centuries, from the [*Gemeinschaft*] of the Middle Ages, whose manifest [*bundlich*] essence is so pristinely clear from afar, that, in this regard, its mere suggestion suffices. Yet the ethos of these [*Bünde*] soon tends toward [*Gesellschaft*]. The necessary conditions, which have led from the [*Gemeinschaft*] of the Middle Ages through the [*bundlich*] culture of what we call the Renaissance to the [*Gesellschaft*] of the modern period, are still and have always been a great enigma in spite of trenchant and thorough study (1977:97 & 102). [my additions¹]

From these and other examples Schmalenbach goes on to state that when *Bünde* are formed and borne along by waves of emotion, they can reach ecstatic heights of collective enthusiasm binding the members together around the feelings actually experienced. Yet, in many cases, this requires an intense mutual involvement which is difficult to sustain. *Bünde* thus often attempt to overcome their inherent precariousness through the development of an ethos of loyalty or fidelity, by which it is hoped that some degree of permanent organization will be obtained. This, however, merely converts *bundlich* relations into a *gemeinschaftlich* or *gesellschaftlich*

¹ For clarity, I have retained the original German terms here, which appear in Lüschen & Stone's translation as: 'society', 'community', and 'communion'.

association through attempts to create an enduring arrangement through a set of rules. Schmalenbach notes that under modernity legal and even economic transactions are awarded symbolic dignity that impresses them upon the memory and makes them appear to the participants as forms of community. Similarly a *Bund* is transformed through the vehicle of rules or an oath of some kind, with which members pledge loyalty and fidelity to each other, into a society on the one hand, and into a community on the other. This is nowhere more apparent than in religions, and in the history of Christianity in particular. The institutions of a religion certainly have an originally religious meaning, yet they maintain themselves socially, establishing a community and society at the same time. As Christianity developed over time, so the structured association it had formed became a given for later generations of believers. One can see this especially in the ritual of baptism, where the transformation of the religious *Bund* into a religious *Gemeinschaft* is an exclusive and special expressive symbol.

Indeed, both the symbolic nature of what Elias would term the 'we-image' of a *Bund*, and the inherent precariousness of these elective associations, becomes particularly apparent when one considers those examples of them where the bond between members is actually based upon the explicit rejection of the perceived dominant forms of *Gemeinschaft* and *Gesellschaft* arrangements that characterize their times.

The antipathy of some artists to the humdrum existence of the petite bourgeoisie and the heartlessness of the grande bourgeoisie is symptomatic of the [*Bund*] mentality. They charge that community manifests a remote and superficial provincialism, and existence in it, a sham. They charge that society is computerized modernization. The consequence is that the uncertainty, vagueness, and instability of the existence of the

[*Bund*] is imbued by them with positive value, although the [*Bund*] may seem remote in the light of new, beckoning adventures, new, seductive inspirations, and consequently, new, impassioned [*Bünde*] of love and friendship (1977:101). [my additions]

These aspects of Schmalenbach's thesis make an important step towards the synthesis position of Eliasian sociology. Crucial to Schmalenbach's social relations trichotomy is its focus on affective social bonds; bonds that always reflect the changing balances between the three broader types of social relations in wider society. Further, Schmalenbach stresses that his model can be applied to many phases and periods of antiquity, therefore allowing theorists and researchers to consider the changing balances between the three types as part of a long-term process. This approach is in large part compatible with the general tenor of Elias's social bond triad. As Elias argues in the case of political, economic and affective bonds, so Schmalenbach also considers that studying historical examples of *gemeinschaftlich*, *gesellschaftlich*, and *bundlich* relations can better inform contemporary sociologists about the particular stage of development (or integration in Eliasian terms) within which current social relations are being played out – a theoretical and research strategy that can help safeguard against sociologists' being tempted to retreat into the present. Moreover, applying Schmalenbach's model in the broader context of figurational sociology provides theorists and researchers with an orientation that considers the contemporary yearning for '*Gemeinschaft*' as an expression of a desire for *Bund*.

2.1 The Concept of *Bund* Applied to Credit Unions

Further theoretical reflections on contemporary elective sociality are considered in the next section of this chapter. Nevertheless, Schmalenbach's original concept can be employed to analyze the development of a very successful credit union movement formed among a number of small farming communities in West and South West Germany between 1868 and 1913. The argument is that one can identify *bundlich* relations emerging within and between these parish-based credit unions; *bundlich* relations that grew out of, and fed back into, existing *Gemeinschaft* bonds, but that were given particular emphasis and immediacy by the wider structural conditions of the then politically fragmented developing industrial capitalism of West German society. This historical case study forms the main body of the next chapter.

The affective undercurrents within credit unions will be further examined in chapter 4 through an analysis into the historical development of credit unions in North America. In this case the argument is that a crucial factor in the growth of the US credit union movement was not only the adoption of the idea among a host of American communities, factions and status groups, but that the credit union philosophy was also largely commensurate with the then dominant economic orthodoxy and the widely-held notions of proper personal conduct in relation to money matters – standards of behaviour, moreover, that had become firmly entrenched among many parts of US society and formed a major pillar in the emerging national personality structure. In short, it will be argued that the early US credit union idea fitted particularly well with the norms and values of the *gesellschaftlich*, *gemeinschaftlich*, and *bundlich* aspects of American society.

In the final section of Schmalenbach's essay, he suggests how *Bund* relationships might develop in the twentieth century. Unlike Marx, he considers that the political structures, and with them the administrative, juristic, and economic structures, which the 'age of *Gesellschaft*' (1977:123) has erected will endure for centuries.

Consequently, he believes that the advancing industrialization and developing world economy has deepened, and will continue to deepen the interdependence of the world's population to a greater and greater extent. However, torn from every 'mothering environment' (*ibid.*), Schmalenbach considers that both working classes and intellectuals – what he terms the 'academic and metropolitan proletariat' (1977:124) - will form part of an increasing amorphous mass of a chaotic amalgam of people. Upward and downward mobility, claims Schmalenbach, will alternate from generation to generation; status groups will be formed and then split asunder; and whether formed from the experience of the 'highest raptures of the heart' (1977:124) or from the solidarity of 'harassed souls' (*ibid.*), *Bünde* will emerge, flourish, and decay in the long-term ebb and flow between the poles of the *Gemeinschaft/Gesellschaft/Bund* trichotomy.

Yet, whether positive or negative, these experiences are all smoldering surges of feeling, affective-emotional – the mentality is [*bundlich*] and the associations are [*bundlich*]. Thus the yearning for the quiet [*Gemeinschaft*] is a hope for the peaceful lot of country life; the idylls, which really means [*Gemeinschaft*] at one time and [*Bund*] at another, do not eventually disappear. They are genuine and spurious at once (1977:125).

2.2 Contemporary *Bundlich* Forms

In *Expressions of Identity* (1998), Kevin Hetherington states his belief that contemporary expressive identities can be associated with a romantic structure of feeling (itself expressed through experience, identification, location, solidarity, communication and knowledge). In this respect, he examines the type of organization of consociates that is often favoured within emotional communities by those who adopt this structure of feeling, as well as the collective identities associated with it. The term he considers that is most useful in describing this type of organization and recognizes from the outset its distinctly non-institutional, expressive and elective character, is Schmalenbach's *Bund* concept. Indeed, he argues that it is precisely the particular conditions that a *Bund* creates which allow expressive identities to be established (1998:83).

I have two main reasons for continuing to advocate the use of this otherwise old and largely forgotten term: first, its conceptual precision works well analytically in describing the types of groups engaged in the quest for expressive and alternative identities, and second, the term, based as it is in feeling and emotion rather than in the more instrumental practices usually associated with organizations, allows us to address this broader question of organization and its relationship to identity (1998:84).

Hetherington accepts the main aspects of Schmalenbach's concept, yet his particular focus lies in the link Schmalenbach makes between *Bund* and Weber's insights into charismatic authority. That is *not* to say, however, that every *Bund* will have a charismatic leader. If anything, many contemporary elective associations explicitly

reject the hierarchical structure of leadership that tends to stand behind any charismatic leader. *Bünde* are, however, highly self-referential sociations in which members define themselves as individuals in relation to the others that make up the group. This being so, Hetherington argues, it is the goal of collective responsibility and enthusiasm for a set of shared beliefs to establish a generalized 'condition of charisma' (1998:93) through a process of diffusion within the *Bund*. That is, each *Bund* will collectively expect each individual member to display characteristics appropriate to the group. Members will be expected, therefore, to display commitment to the *Bund* through appropriate forms of participation. A *Bund*, however, requires some form of centrality and achieves this through being an organizational form that performs a charismatic mode of governance to which individuals submit themselves. But fidelity to the *Bund* is not in the gift of individual leaders, rather 'it is an expression of the subjectivized occasionalism which those engaged in creating these types of identification are active in promoting' (1998:93). Thus, an individual *Bund* member commits to the group and its core values rather than to a person. Often being self-enclosed, *Bünde* will produce a code of practices and totemic symbols that serve as the basis for identification and through which they will attempt to maintain their cohesion. However, the *Bund* may or may not be successful in promoting or sustaining this fidelity, this commitment. As Schmalenbach states, every *Bund* is precarious and as the *gemeinschaftlich* and *gesellschaftlich* relations begin to intrude into the *Bund*, as they always will, so they will necessarily influence the development of the elective association.

Charisma in this more general sense is likely to be perceived as the basis of authentic unmediated interpersonal relationships, expressed through the performativity of the

occasion as well as within a Bund rather than through the adoration of a leader. Such emphatic relations come to be seen as unmediated and direct, based purely in feeling. Such is the proximity of this experience in love and hate that a Bund may provide a strong positive sense of *communitas* or, alternatively, bitter recrimination when things do not work out [see Scheler, 1954: 147ff.]. The significance of charisma in a Bund is the focus it provides for the flow of experiences as a source of individual governance (1998:94).

Being a type of organization that is elective, affective and expressive in character, a *Bund* is well suited to the person who adopts a romantic inclination. Membership provides an opportunity for people to freely express themselves as well as the perceived authenticity of a communal experience with others who share their outlook on life. In so doing, the *Bund* is the organizational form of expressive identities and thus escapes many of the formal requirements normally associated with more institutional types of organization and their dynamics.

It is not, I would argue, for instrumental reasons of political effectiveness that those associated with contemporary identity politics are led into such expressive organizational forms; it has more to do with a desire to share a sense of commitment and belonging with others who are seekers after some kind of expressive alternative to the conditions of modern life that leads to the adoption of such an organizational form. Identity politics can be expressed through the form of the Bund. In addition, the solidarity and sense of commitment to others that such emotional communities foster are likely to facilitate the more overt forms of political action associated with 'new social movements' (1998:99).

2.3 'Neo-Tribes', 'Emotional Communities' and Other Examples of 'Emphatic Sociality'

Maffesoli (1996), too, sees a distinct trend towards a host of scattered groups where members are not, as is often assumed, seeking a temporary resolution to their individual situations. Indeed, in many instances, any individual or collective gain that may result from this elective sociality is, at best, secondary. It is the being together, the sharing of warmth, as Maffesoli puts it, that is often the crucial issue for them. For sociologists, on the other hand, the crucial issue is the potential that such a tendency may have to rebound on the social whole. For Maffesoli, this potential is already a reality. With so much theoretical and empirical attention being paid to the perceived atomizing effects of a rationalized 'social', an important development has been largely overlooked. Namely, the development of, what Maffesoli terms, 'an emphatic 'sociality' (1996:11) which is expressed by a succession of feelings and emotions. More simply, there has been a distinct increasing influence of affect in everyday social situations, and this is revealed in the multiplicity of 'emotional communities', or 'tribes' that have sprung up during the past century especially. This is not to say that elective sociality is peculiar to modernity. The mechanism has always existed; yet under modernity elective sociality has been tempered by 'the political corrective that brought compromise and long-term finality into the picture to supersede particular interests and localism' (1996:86).

What Maffesoli is describing here can perhaps be better understood if one interprets it within the Eliasian notion of levels of integration and greater differentiation. To wit, as communities have lost many of their previous functions to higher levels of social

integration, so the developing *Gesellschaft*, this ‘rationalized social’ Maffesoli refers to, has been perceived to have influenced people’s personal lives more and more, and thus had a negative effect on their personal relations – with the mythical ‘traditional community’ usually being the benchmark.

Modernity, by multiplying the possibilities of social relationships, partly drained them of any real content. This was a particular characteristic of modern cities and has played a considerable part in the gregarious solitude we have rambled on about so much ... To be sure, it is not wrong to say that individual intentionalities play a certain role in the process of interaction, but this should not prevent us from seeing that as a social ‘form’, this process is made up of a multitude of miniscule canals, the existence of which is unknown to individual consciousness ... Indeed, without being able to say which is foremost, it is true that the pre-eminence of the group and the importance of the affect show how the density of everyday life is above all the product of impersonal forces. Moreover, this also explains its denial by the intellectuals who have been reflecting on social existence since the eighteenth century (1996:89).

Along these multitude of miniscule canals lay hosts of emotional communities – ‘micro groups’ or ‘tribes’ as Maffesoli terms them – which mirroring contemporary lifestyles branch out from tremendously varied occurrences, experiences and situations. Yet, like all human groups, these tribes display group egoism, expressed through rituals and specific signs of recognition, with the express intention of seeking to ensure self-preservation. That is, to strengthen the small group against the large so that it may develop autonomously within a larger whole. For Maffesoli, this general process of human group formation is characterized in contemporary times by many

‘tribus’ whose autonomy is neither ‘pro’ nor ‘con’. Specifically, many contemporary ‘tribes’ situate intentionally their sense of autonomy ‘on the sidelines’ of perceived mass society (1996:92). Which, for example, is

... expressed by a distaste for confrontation, by a saturation of activism, by a distancing from militancy – all things which can be seen in the general attitude of the younger generation with respect to politics (1996:92).

In his text, Maffesoli refers, in the main, to Durkheim and Simmel as the key sociological loadstones of his theory (e.g., 1996:81; 87), yet in the foreword to the English edition, Rob Shields reveals that Maffesoli is seeking to develop Schmalenbach’s concept beyond what he considers the residual categories of social life that the *Gemeinschaft/Gesellschaft/Bund* model refer to (1996:ix). Certainly, the suggestion that many contemporary ‘tribes’ reject the perceived dominant trends of *Gesellschaft* is almost identical to Schmalenbach’s conception. Hetherington, too, recognizes Maffesoli’s debt to Schmalenbach but considers that there is nothing in Maffesoli that cannot be gleaned from the earlier work. In attempting to re-invent Schmalenbach’s concept, Maffesoli states that neo-tribes are Simmelian *Gemeinden* or emotional communities into which individual identity is dissolved in collective empathy and identification. However, Hetherington believes that Maffesoli does not recognize that it is Schmalenbach who takes aspects of Simmel’s work further. Having studied under Simmel, Schmalenbach was aware, and critical, of Simmel’s underlying assumption that the individual in modern society was ultimately defined as being isolated and alone (1998: 96). However, important in Maffesoli is his stress on the temporal aspect of tribe formation, and how different periods in history have given rise to different forms of elective sociality – especially during times of accelerated

cultural change. In the many historical and cultural references Maffesoli makes, Schmalenbach's influence is implicit but significant, and surely provides Maffesoli with the confidence to lay historical examples of elective sociality over the many neo-*tribus* that are in evidence today. Moreover, Maffesoli is able to 'stand' upon Schmalenbach and consider where the multitude of tribes and emotional communities interact with each other in a semi-public or public setting. For Maffesoli, 'contemporary mass rites' (1996:98), public gatherings of numerous kinds, are an amalgam of micro-groups that are both highly distinctive at the same time as forming an indistinct whole. Yet, the indistinct companionship of these public spaces is punctuated by a whole series of recognitions and interactions which turn a 'maelstrom of cultural signs' into a well-ordered whole (1996:98). In effect, Maffesoli is describing the process of constant interplay between the poles of the Schmalenbach trichotomy, and some of the public spaces where this can be witnessed. Under modern conditions, Maffesoli considers that this incessant flux between contemporary forms of elective sociality and the mass has been obscured by the focus on the individual, seemingly lost and alone in the maelstrom of the arena or the shopping complex. Whereas, just as the agora of Antiquity, the *passegiata* of Italy and the nineteenth century French promenade provided the sites of sociality for this flux at that stage of differentiation, so contemporary sites of sociality where even the most cramped terrain is subtly differentiated by tastes in clothing, sexuality, sports, groups and so on, perform the same function. And this can be manifest in the drawing of symbolic boundaries around more generalized notions of difference.

In a country such as Brazil, where the beach is a veritable public institution, monographs have noted that in Rio the numbering of 'blocks' (security posts spread

over all the beach) lets you know where you are (X – leftist, Y – homosexual, Z – golden youth, etc.) (1996:99).

2.4 The Symbolic Construction of ‘Community’ Boundaries

Concerned with the boundaries of communities as he is, for Cohen (1985)

‘community’ expresses a relational *idea* – an implication of both similarity and difference. The boundary encapsulates the identity of the community and is marked because communities interact in some way or another with entities from which they are, or wish to be, distinguished. But the manner in which the boundary is drawn depends entirely on the specific community in question. Thus, a boundary may be statutory, physical, racial, religious or linguistic. And, furthermore, the boundaries may not be objectively apparent. They may be thought of, rather, as ‘existing in the minds of their beholders’ (1985:12). It is what *meanings* the members of a community give to their boundary that is important – the *symbolic* aspect of community boundaries.

One boundary that Cohen offers as evidence is that of the emblem. The CND logo, for example, Cohen argues provides sympathizers with an adequate expression of their position for the purposes of a certain kind of debate and political action.

However, taking into account the often enormous variety of opinion – hostile as well as merely opposed – that exists within the CND movement, reveals the versatility of symbols. People can, he says, find their own meanings in what nevertheless remain common symbols. Indeed, most symbols do not have visual or physical expression but are, rather, ideas. Citing Strathern’s study of the community of Elmdon in

Cambridgeshire (1981; 1982a and b) Cohen contends that the concept of 'village' designates for some the idea of place: discriminating it from other communities and, in particular, from the larger towns. To others, those who judge themselves as 'real Elmdoners', it connotes kinship and class. Thus, the 'idea of villageness' is symbolic and, again, renders eloquent but different meanings for its various users.

Just as the 'common form' of the symbol aggregates the various meanings assigned to it, so the symbolic repertoire of a community aggregates the individualities and other differences found within the community and provides the means for their expression, interpretation and containment. It provides the range within which individuality is recognizable (see Cohen, 1978). It continuously transforms the reality of difference into the appearance of similarity with such efficacy that people can still invest the 'community' with ideological integrity. It unites them in their opposition, both to each other, and to those 'outside'. It thereby constitutes, and gives reality to, the communities' boundaries (1985:21).

Cohen's argument sees individuals defining themselves by reference to a 'significant other'. So too communities. Indeed, it is precisely because communities confront each other that they 'need' to formulate a sense of themselves as coherent and distinctive. And since the vitality of cultures lies in their juxtaposition, they exaggerate themselves and each other. Contrasts are, therefore, oppositional. But the contrasts made by one culture with respect to another are not absolute. Rather, they are contingent; relational (1985:115). Cohen rests his contentions on the Durkheimian notion that the whole is greater than the parts and subordinates the parts which take their character from it. Thus, the community derives its sense of self not only from contrasting itself to others, but also from its juxtaposition with others in a

larger relationship (in Eliasian terms, ‘interdependency–in-antagonism’). Like the individual, then, the community may behave in quite different ways with respect to the same ‘other’ on different occasions.

With the diminution of the geographical bases of community boundaries under modernity, the resilience of culture – of people’s sense of self – is asserted through community boundaries being renewed in symbolic terms. Moreover, since the boundaries are inherently oppositional, almost any matter of perceived difference can be rendered symbolically as a resource of its boundary.

The community can make virtually anything grist to the symbolic mill of cultural distance, whether it be the effects upon it of some centrally formulated government policy, or a matter of dialect, drinking, or dying. The symbolic nature of the opposition means that people can ‘think themselves into difference’ (1985:117).

2.5 Observations

Hetherington’s application of the Bund concept as a framework for the research of contemporary expressive identities provides an extremely useful orientation for the study of many different elective sociations. And, crucially, remaining largely faithful to Schmalenbach’s original, Hetherington stresses the importance of explaining the centrality of affective-based motivations in the formation of human groups outside the sphere of those bonds and interdependencies that form part of each individual’s given circumstances. Like Bell and Newby, Hetherington’s reflections lead him to consider the link between *bundlich* relations and emerging forms of political action or lifestyle

choices. Hetherington is a little dismissive of Maffesoli when one considers the larger question that Maffesoli sets his work within. Simply, that the broad *Gemeinschaft/Gesellschaft/Bund* model offers a whole new direction for sociological inquiry away from the general orientation of seeking to explain how far the perceived atomizing conditions of modernity have influenced the lonely, isolated individuals it has been charged with creating. In effect, the extent of individualization in contemporary society that is often assumed by theorists and researchers may well have been overestimated. Furthermore, any study into any aspect of this argument must consider contemporary developments as part of a long-term process.

Hetherington's theorizing on the generalized charisma that *Bünde* often display leads him to stress the strong empathetic relations that can exist between members from which this process develops. And it is interesting how he states that *bundlich* relations are often sought by those people with a romantic structure of feeling. However, if one is arguing for the wide applicability of Schmalenbach's model, then one must surely consider how, for example, *bundlich* relations have been made between those people with a narcissistic disposition (see Lasch, 1983). Also, it is interesting how from his research Hetherington discovers that Shils employs aspects of the *Bund* category in his study of comradeship among German POWs during World War II, and that Shils himself sees distinct echoes of Schmalenbach's model in Sorel's study of revolutionary cells in his *Reflections on Violence* (1998:88). Similarly, Hetherington finds Talmon utilizing the *Bund* concept in his influential text on the development of kibbutzim, and Eric Cohen using a more systematic *bundlich* model in explaining the development of kibbutzim as *Bünde* into the more stable *gemeinschaftlich* conditions that one can find in the longer established examples.

From all the examples that Hetherington selects, the common thread he picks out is that, in all its different forms, a *Bund* is an attempted basis for re-communitization of social relations within modern, *gesellschaftlich* conditions. Yet, it is individual choice that is the basis for membership rather than class, gender or ethnic origin. However, it is not clear whether he considers that *bundlich* relations can be formed among those who herald from the same class, gender or ethnic origin. Certainly, he offers no examples of *Bünde* where this is the case. The main argument of this thesis is that it is in historical and contemporary examples of credit union formation and development where one can find evidence of *bundlich* relations of many different forms and shades – some arising from prevailing *gesellschaftlich* conditions; others from within existing *Gemeinschaft* relations. As Cohen so skillfully reveals, there is a considerable versatility in the use of symbolic boundaries drawn between numerous different groupings in modern times, and this process has been given increasing impetus by the continued diminution in importance of geographical boundaries in the formation of a group's 'we-image'.

Yet, another strength of Cohen's text is the empirical examples he offers as illustrations in the development of his argument. He is far more consistent in this regard than Maffesoli, certainly, and characterizes each of his examples in greater depth than does Hetherington. More importantly, however, is that the two examples drawn upon in my summation reveal not only the versatility of symbolic boundaries, but that the degree and intensity of emotional detachment can vary between groups to a similar extent. One would hardly expect the degree of affect found among members of CND and a rural community close to the urban sprawl to be on a par. Indeed, the

bases of their 'we-image' rest on distinct and particular circumstances and values – it is the processes of their boundary formation that Cohen recognises as having general characteristics. This fact reflects back on the *Bund* category and raises the point of conceptual precision.

It does so because Schmalenbach posits *Bünde* with differing, but nevertheless observable emotionally intense bonds. Precarious, definitely, but present in some form in every *Bund* until mediated and diluted by the inevitable encroachment of *Gemeinschaft* and *Gesellschaft*. Shils (1975) argues that Schmalenbach is, in effect, the first important step in the unraveling of Tönnies's paradox, as he recognises that it is possible to have 'intense and comprehensive solidarity' (1975:114) without the precondition of a common territory of origin and residence, a common place of work, or ties of blood and sexual connection. Where Schmalenbach is less successful is in recognising that, under his model, there are actually *two* types of *Bund*.

Shils explains that where Schmalenbach posited the primordial or ecological bases of *Gemeinschaft* as a precondition, a circumstance, he fails to see that these are a crucial property of the members of the *Gemeinschaft* and greatly influence their conduct towards each other. In other words, the *Gemeinschaft* is a very particular form of primary group – one which influences the conduct of its members, their values, their ties and bonds. It is, one might say, the pure form of personal primary group. Yet, there is another – one which can endow not just its individual members but also wider society with some of its values, and can transmit its ethos into the public sphere. This is, according to Shils, the *ideological* primary group.

From his studies of soldier camaraderie, and especially how this is often experienced by individual soldiers as a close attachment and reliance on the relatively few men who make up their unit, Shils recognised how soldiers' motivation in combat often 'drew little sustenance from any attachment to the central political and ideological symbols of the society in which they lived' (1975:121). They were much more likely to be influenced by a 'cult of manliness' and to be in fear or in awe of authority.

Certainly, any patriotism was often expressed diffusely and even contradictorily to the intended effect of the ideological symbols of the ruling group. On the other hand, those with a fervent preoccupation with the values and symbols associated with authority, on the other hand, were very different people. Unlike the moderate and pragmatic majority, these ideologues are often obdurate, steadfast, unyielding – the 'hardcore' (1975:117). Indeed, it was exactly the description of small, strongly ideological 'cells' like these that Shils drew from Sorel and gave him further empirical examples, alongside the groups displaying more moderate attachment to central values, in order to frame two distinct forms of primary group: the personal and the ideological. Studies of the motivations of voters in general elections also provide Shils with many examples of where civil attachment translates as a 'moderate pluralistic concern for the whole' (1975:124), and at each edge of this majority group, the individuals and groups who either reject or champion society's central values and who despair of the seemingly bovine mass.

Viewed in this way, the strong expressive identities reflected in the *Bünde* that Hetherington focuses on and the *neo-tribes* with their code of secrecy that Maffesoli eloquently describes can be seen as, on the one hand, 'personal' forms of *Bünde*, where a general desire for togetherness and solidarity appears as an end in itself, and,

on the other hand, ‘ideological’ *Bünde*, where an individual’s choice of membership is centred on feelings and sentiments that stand in opposition in one way or another with the prevailing *Gesellschaft* relations from which they are or wish to be distinguished. However, *bundlich* relations of other forms and shades may well be observable in society, and the particular forms they have taken over the long term can also be explained.

2.6 A Note on ‘Trust’

In the various examples of credit unionism presented in the following chapters, we will refer to the trust between members that is often required for a credit union to be successful – or, indeed, for it to survive at all, especially during its early development when there may be only a hundred or so initial members. But an important distinction needs to be made. ‘Trust’ between credit union members may be based on strong affective motivations – whereby members may well require an existing emotional bond to exist between them and other potential members before they will consider allowing them to join. In these cases, the trust required in awarding loans is inseparable from the trust these members would share in another unrelated situation. Yet, we will also come across examples where existing and potential members are asked to trust their credit union through an appeal to the legal sanctions that would befall it if it were to be irresponsible with the member’s savings or loan arrangements. The trust invested in the credit union in this case may be strong, and yet affect free. ‘Trust’, therefore, is not a synonym for ‘affect’. Trust may be psychological but it may also be rational. We will return to this point in Chapter 6 in the discussion concerning Giddens’s (1990) arguments concerning trust and the shifting bases of it under developing modernity.

3. Conclusions

Shils's distinction between personal and ideological *Bünde* or primary groups, has important implications for the study of credit unions. As an elective association formed around economic cooperation, the motivations of individual members may be explained by one or other, or at times both, of these distinctions. A member may have a purely personal relationship with their credit union, relying on the integrity of the people they know and personally trust, who make up the wider membership. They may see credit unions as vehicles to alleviate poverty, both personal and more widely, and so may have a strong ideological bent to both their individual membership and the activities of other credit unions. Yet, they may equally share a more diffuse association with the wider aims of the credit union movement, and place their trust in the legal requirements of a credit union's activities drawn by relevant state authorities. Members may also, in different cases, share a strong personal attachment to their credit union, and yet not share the ideological beliefs of some other members. These distinctions are especially important in regards to the data gathered from credit union volunteer officers and activists that is presented in chapters 5 and 6.

Moreover, Shils's extension of Schmalenbach's concept alerts the researcher to the care required when considering different credit union examples. Some members may well adopt a purely economic relationship with their credit union, taking advantage of the access to credit otherwise barred to them, or, indeed, using a credit union alongside other more 'formal' sources of borrowing. However, with few of the same principles as profit-making financial institutions, the values and principles of credit union membership and operations rest on bases of trust and reciprocity not reducible to concepts mainly concerned with profit and loss. Many of the examples of credit

unionism covered in this study were formed among small groups of people whose only chance of accessing credit or loans stemmed from their co-operation and mutual trust. Despite the often considerable success of credit union movements, none have so far adopted or developed purely impersonal or bluntly formalized methods of operation. And despite the different forms and shades displayed, the bases of affect among members have been and remain crucial to the principles of credit union activities. In this way, Shils's work builds on the insights of Schmalenbach and his concept. Indeed, Shils's examination of the *Bund* concept awards it greater subtlety and nuance, and therefore provides the researcher with better understanding and appreciation of credit unions and their long-term development.

Chapter 3

The Raiffeisen Credit Unions of South-Western Germany

The roots of cooperative credit are obscure.

(Moody & Fite, 1984:1)¹

Introduction

This opening statement, taken from the US credit union movement's self-published history, reflects the profuse currents of thought and the labours of literally countless groups which, from a myriad of individual tributaries, have flowed into the general stream of theory and practice out of which North American credit unions emerged. From Robert Owen's Lanark mill community to Pierre Proudhon's espousal of People's Banks; from the Rochdale Pioneers to cooperative credit among peasant villagers of Bengal, a loosely-woven tapestry of forms of human habitus, occurring within distinct and seemingly unconnected structural conditions, serve to at once reveal and shroud the origins of elective association among human communities for the purpose of credit and saving. While it is not directly stated in their account,

¹ Moody & Fite's history of the US credit union movement was the only systematic account of the development of US credit unions that was unearthed during the research process. Having been funded and published by the US credit union movement, however, this history must be viewed as an extensive but nonetheless biased account. Moody & Fite's text, therefore, is used as a way of establishing the

Moody & Fite look back through the US movement's archives, memoirs and diaries revealing the credit union idea as an *amalgam*, a *hybrid* almost, of distinct yet remarkably similar forms of association and economic cooperation. Famine, economic depression, religious and political beliefs, diaspora experience, cultural values and standards of behaviour – all pour, merge, slip and spill across the movement's historical canvas. Moreover, credit unions, as a social phenomenon, have shown a remarkable ability seemingly to mould and attemper themselves – singularly and as a movement – to both shifts in structural conditions *and* to the vast array of values, beliefs and we-images that exist among human communities of numerous forms and shades. Indeed, as described in the previous chapter, when one begins to focus on this particular aspect of credit union development – that is, the crucial importance that types of *affective bonding* have had among members of these informal cooperatives – hitherto obscured common characteristics between examples of credit unionism become clearly visible.

Certainly, the credit union idea has been championed throughout its history as a noble and practical answer to the 'evil of usury' and the alleviation of poverty. But it has also been successful as an informal economic empowerment for oppressed housewives in a working-class community, as a means of savings and loans among those only trustful of others who share their religious belief -- even as a means of securing village regeneration for an aboriginal tribe holding no positive cultural value for money. Furthermore, despite the many different groups and communities that have adopted the credit union idea, and despite the many historical and contemporary forms of human habitus and particular structural conditions under which this idea has

general historical development of the US credit union movement, rather than a reliable substantive analysis of key aspects and characteristics.

sprung up or been sown, time and time again different groups have seen its success (or failure) as stemming from the root values and bonds distinctive to their particular group. It is as if this idea speaks to *them* collectively – *their* tribe, *their* estate, *their* congregation, *their* sisters. And it is this aspect of credit union practice which came to be enshrined in the notion (and general rule) that potential and existing members should share a ‘common bond’.

In the past twenty or so years in the US, and more recently in Britain, a weakening of the reliance of the common bond requirement can be observed. Indeed, this weakening has itself come to be enshrined in, for want of a better description, the ‘new’ philosophy of the US credit union movement. How this shift in emphasis came about forms the concluding section of the next chapter. Indeed, considering the importance this development has had, both implicitly and directly, on the British movement, relevant documentary data concerning the genesis and growth of the US credit union movement is examined in a general chronology in chapter 3. This chapter however concentrates on the development of the first two examples of credit unionism that emerged in the West. Both these forms of credit unionism influenced the creation and development of credit unions in the US, and both reveal general themes and patterns in credit unionism that can be detected in other examples of this elective association among a number of different groups, societies and historical times. By viewing credit union development as a long-term process, and through the analytical lens of human affective bonding, we can study this social phenomenon’s broad historical and contemporary canvas with a theoretical tool that can help us more fully grasp its significance.

The focus of this chapter rests predominantly on the Raiffeisen credit unions that emerged in south-western Germany from around 1850. The formation and development of this credit union movement, its philosophy, its success, and its considerable influence on other Western credit union movements, is evident from the frequent references made to it in a range of credit union-related literature and studies. Indeed, the Raiffeisen credit unions were even discussed and championed by several of the respondents interviewed for the thesis. The importance of this credit union movement for both commentators, historians and contemporary credit union volunteers and activists, stems not only from its considerable success but also from the fact that it had many characteristics that have distinct echoes in various aspects of contemporary credit unions. Not least of which being the principle of a common bond among members. Yet, many other aspects of these credit unions continue to have resonance. For example, Raiffeisen credit unions sought to establish their capital from members' collective savings and from each individual member purchasing one 'share' – thereby establishing an internal bedrock of finance to underpin the awarding of loans; they also ran themselves on firm 'self-help' principles – with virtually all aspects of their operations being carried out by unpaid volunteer members, and all individual loans being granted by committees of fellow members.

Yet, the Raiffeisen credit unions were themselves influenced, at least in part, by another German credit union movement that had begun to emerge in certain East German provinces several years before the first Raiffeisen credit union was formed. In this respect, the following chapter examines aspects of this other credit union movement, both as a straightforward comparison and as a way of bringing into

sharper relief many of the particular strengths and characteristics of the Raiffeisen credit union system.

In analyzing the Raiffeisen movement, the chapter draws on Weber (in Gerth & Mills, 1985) to reveal both the structural conditions within which these credit unions emerged and the social relations among the former peasant class from which these credit unions drew the majority of their memberships. Developments within the movement itself are also considered with reference to aspects of Schmalenbach's (1977) thesis on *bundlich* relations. The chapter begins, however, by examining the first credit union movement to develop in Germany – the Schulze-Delitzsch credit unions.

1.1 The Schulze-Delitzsch Model

The historical context within which the Schulze-Delitzsch credit unions emerged, is opened to us from 1846, when the German harvest was devastated by crop failure.

The considerable misery this inflicted on huge numbers of the population was further exacerbated by the biting winter that brought an icy death on this dark year. Indeed, the chill penetrated right into the Berlin parliament, which was shaken by political upheaval. In the temporary thaw that followed this particular crisis of the polity, the king announced fresh Parliamentary elections and among the newly-elected members of the national assembly was Hermann Schulze, an upper middle-class graduate of Leipzig and the law school at Halle. Schulze had been *Patrimonial-Richter* in a jurisdiction adjacent to the territory surrounding his hometown of Delitzsch, where his father held the same post. With so many of the new Parliamentary intake sharing the

name Schulze, Hermann added Delitzsch to his title in order to distinguish himself, yet his identification with the liberal members of the assembly and, crucially, their push for a constitution and widespread reform, served to award Schulze-Delitzsch with an unexpected notoriety – he was threatened with the charge of high treason in 1850 (Wolff, 1893: 42-43). One can see from Elias' study on the development of the German state how the ideas of Schulze-Delitzsch would have been viewed:

In most of the German states, the habituation of many centuries had produced a tradition of attitudes and beliefs which was attuned to strong rule from above with very little or no participation at all from the ruled. People had become more or less accustomed to all decisions touching on the control of the state being in the hands of small, autocratic elites who held the reins of power in a far-reaching system of control ... The personality structure, conscience-formation and code of behaviour had all become attuned to this form of regime ... And even when sections of the intelligentsia demanded greater political participation, the skills, patterns of conscience and codes of behaviour which are necessary for a (limited) exercise of self-rule began to grow in a direction different from this demand ... One of the most important distinguishing marks of the German sequence of development was the fact that national unification and the whole epoch of early industrialization, with its power-increment for the industrial middle class and working class, took place within the framework of a still mainly autocratic regime (Elias, 1996:338).

Despite being ordered by the Government to stay away from his native town (part of their agenda to remove him from his position as *Patrimonial-Richter*), Schulze-Delitzsch did return and began to concentrate his efforts towards forms of cooperative credit - setting up a system of cooperative insurance for craftsmen as well as a cooperative purchasing society for master shoemakers. Moody and Fite state that it

was out of these early attempts at cooperative credit that Schulze-Delitzsch recognized the vital need that craftsmen and small shopkeepers had for credit. And from the practical experience of being involved in these two endeavours he came to consider that cooperative buying and selling should be kept separate from any form of cooperative credit system. In terms of what motivated Schulze-Delitzsch to direct his efforts towards these types of associations, or what aspect of his values and beliefs he drew on for inspiration, is not altogether clear in Moody & Fite's account. Yet, citing and summarizing Wolff's² description of the man, they conclude:

'Schulze had no scheme in his mind for the moral regeneration of mankind. Nor yet was he thinking of bringing about a workingmen's paradise'. Moreover, he 'had no intention of interfering in their private life, or educating them in morals. He rather sneered at 'Christian Socialists', who troubled themselves about other people's moral well-being. Economy was enough for him. But the economy must be sound, resting upon self-help, production and thrift'. The first duty of a noncapitalist, Schulze believed, was to convert himself into a capitalist (Moody & Fite, 1984:5).

Schulze-Delitzsch's first credit union was formed in 1850 from initial capital contributed from a group of his friends. What distinguished this association from the other charitable loan associations of the past was the crucial fact that potential borrowers must not only join the association to qualify for loans but also make small monthly contributions towards its capital. Shortly after the credit union was set up, Schulze-Delitzsch was acquitted of high treason and assigned to a new judicial post in Poland. However, he resigned one year later after disagreements with the government

² Wolff's accounts of Schulze-Delitzsch and Raiffeisen credit unions come from a number of visits he made over several years to working examples of both forms of credit unionism in Germany. He also corresponded regularly with activists and leaders of the two movements, including Schulze-Delitzsch

there also. On his return to Delitzsch, he discovered his credit union in disarray, crippled by bad debt and the withdrawal of the society's wealthier contributors. However, a similar association which had been organized by a friend in the nearby town of Eilenburg was prospering, and Schulze-Delitzsch saw that its success was due to the fact that it actually chose to *exclude* wealthy patrons and required instead that *all* members contributed equally to the capital. Given that the limited amount the members could afford to deposit into the union could not match the demand for loans, the Eilenburg credit union itself had begun to borrow money on the basis of 'unlimited liability' – whereby *all* members were equally responsible for the union's debts.

After a brief attempt to revive the failed prototype he had begun in Delitzsch (upon the refusal of municipal authorities to contribute funds), Schulze-Delitzsch adopted the Eilenburg model as the template for further credit union formation. And as early as 1852, the Delitzsch credit union could boast a membership of 150, with enough capital raised to secure frequent modest loans secured under the principle of joint liability. So it was that from his own efforts and from the example of Eilenburg that Schulze-Delitzsch drew up the core principles and philosophy of this particular form of credit unionism. These were that members would pay an entrance fee upon proof that they could pay for one share in the credit union; they would also deposit their savings into the society in order to contribute to the working capital (with modest dividends to be paid on these share accounts). If the association required further capital for loans, it should borrow from other financial institutions on the principle of unlimited liability – or in the words of Schulze-Delitzsch, 'All for one and each for

himself and members of the Raiffeisen family. Wolff's is the only detailed account in English about the Raiffeisen movement.

all' (cited in Moody & Fite, 1984:4). Furthermore, written bylaws for the union would show that each member should take their turn participating in the routine affairs of the organization, so that each member would in turn put their name to passbooks and promissory notes. Each union would have an *Aufsichtsrat*, or general committee, to which the president, treasurer, secretary and nine members would be elected annually. All demands and propositions made to the union, especially requests for loans, should be made to the committee in writing. The *Vorstand*, or executive committee, would be elected from the general committee and deal with routine business, leaving the *Aufsichtsrat* free to concentrate on supervision and inspection.

Such efforts towards democratic control – including one member, one vote – can be seen in a variety of forms of economic cooperation that emerged during the nineteenth century. Whether the Friendly Societies of British artisans or the Belgian Haeck's Bank of the People (which was in fact a cooperative bank run for the higher classes), one can discern more or less democratic structures within and between branches of such organizations. Yet, Schulze-Delitzsch considered that such structures within his credit unions existed to serve and ensure the core philosophy of this association. Under no circumstances should any loan have the appearance of a gift or charity. They would only be granted for *productive* purposes. Moreover, each loan should be based on the *character* of the member-applicant, rather than on collateral or chattel mortgages. 'Your own selves and characters must create your credit', Schulze-Delitzsch wrote (cited in Moody & Fite, 1984:4). Their collective liability would require the union to choose its associates with care, insisting that 'they maintain regular, sober and industrious habits' (*ibid.*), thereby making them worthy of credit.

However, provided a potential member was considered to possess the type of character required by a union, the particular occupation he was employed in, or particular social class he came from, would not bar him from membership or from loans. These were, Schulze-Delitzsch insisted, people's banks.

From 1853, Schulze-Delitzsch began travelling to different towns in Prussia advocating the establishment of more people's banks and, by all accounts, this economic missionary was remarkably successful in spreading his idea – despite the best efforts of the established group of paternal Ministers in Berlin to discourage him.

Every conceivable hindrance was laid in his way, and he found himself politically a proscribed man. When in 1859 he convened his first Co-operative Congress – the most harmless congress, one would think, that could be convened – under the dictation of the Government in Berlin even fair-minded King John of Saxony dared not open his dominions to the supposed traitor, who was accordingly compelled to summon his adherents to that one available refuge, as it then was, for persecuted Germans, the Thuringian duchies (Wolff, 1893:44).

By 1859, there were 183 people's banks with 18,000 members in Posen and Saxony. He also began a regular column in the journal *Deutsche Gewerbe Zeitung*, celebrating the progress of people's banks and setting out his views on cooperation. The delegates' convention that so irked Berlin actually drew representatives from twenty-nine cooperatives. Held in Weimar, the convention passed a motion to create a central office to oversee and encourage connections between the unions. Schulze-Delitzsch was elected manager and by the end of that year 200 cooperative organizations had affiliated. Indeed, within only a few months of the first convention,

delegates met again, this time at Coburg, to form the *Nationalverein* – a permanent central organization with Schulze-Delitzsch as secretary. By 1864, Schulze-Delitzsch had taken a leading role in the formation of the Universal Federation of German Cooperative Societies, which subsumed older central organizations and leagues. And this was followed in the next year by the opening of the first German Cooperative Bank – the *Soergelbank* – whose function was to accept deposits of surplus bank funds and raise money to lend to cooperatives. The majority stock of this central bank was owned by the various people's banks, with private individuals holding minority shares.

For his part, Schulze-Delitzsch remained a pivotal figure in the growth and development of German people's banks until his death in 1884. Despite his earlier problems, he remained a member of the Prussian House of Representatives and of the Reichstag, and undoubtedly his influence helped to secure the passing of legislation in 1867 which gave legal status to his associations. However, there is evidence to suggest that Schulze-Delitzsch was not only fearful of competition from other models of cooperation, but was also concerned that if it were to be seen that attempts at cooperative credit were failing, the whole developing German movement might suffer as a result. Indeed, he was so concerned that in 1876 he actually publicly denounced two societies that had officially registered in Neuwied. These credit unions' practices were, for him, less safe than his proven model - and the values they espoused, as well as the focus of their activities, made them nothing short of unstable rivals to the cause of promoting economic self-sufficiency. These were the Raiffeisen credit unions.

1.2 The Raiffeisen Model

During the frozen famine of 1846-7, Friedrich Wilhelm Raiffeisen formed a *Brotverein*, or bread union, to distribute flour to the starving farmers of Weyersbusch where he was mayor. Yet, as Raiffesen had long believed, disasters such as country-wide famine served only to dramatize the appalling underlying conditions that south-west German farmers suffered as routine. Despite their release from feudal obligations and the reforms that had given them their own land, the situation of the former German peasant class had not improved with the onset of industrialization and commercial agriculture. Max Weber (1985) provides us with a detailed picture of the habitus of the German peasant class – both before and after the revolution of 1848. Under German feudalism, the peasant's first duty was to provide, as cheaply as possible, the neighbouring town with food. Further, as far as possible, the city prohibited rural trade and the exportation of cereals as long as its own citizens were not provided for. This artificial maintenance of the cities at the expense of the country was also a principle followed by the German princes – who sought to maintain the wealth of their countries through large intakes of taxes. Through their services and by their payment of taxes, the German peasant class formed the base of this social stratification, doomed to support their local landlord class who possessed the higher ownership of the land and quite often the very body of the individual peasant as well (1985:361-364).

Finally, the peasant was dependent upon the productive community into which the half-communist settlement had placed him two thousand years ago. He could not manage as he wanted, but as the primeval rotation of crops prescribed, a condition which continued to exist until these half-communist bonds were dissolved. Yet even after the abolition of all this legal dependency, the peasant could not become a rationally producing small agriculturist as, for instance, is the case with the American farmer (Weber [1906] in Gerth & Mills, 1985:365-366).

With no surplus to pay for machinery, fertilizer, seeds or livestock and land mortgages only granted by banks to large property-owners, the typical small farmer was at the mercy of profiteers and illegal money-lenders – assuming he could possibly hope to meet their high interest rates and strict foreclosure practices in the first place. Indeed, this situation translated into a distinct and volatile figuration – one where the economic power-balance between established and outsider groups actually became increasingly skewed in favour of the outsider group.

Also, before 1848, Jews were prohibited from trading in most German urban areas – unless they were able to shelter behind the ‘good name’ of some friendly Christian. The consequence of this social exclusion was the exodus of many poorer Jews into the rural towns and villages where, there too, they were practically debarred from taking up any other vocation, and so they concentrated their labours on the trade of cattle, small goods, corn or money lending. Their strong group cohesion, coupled with astute business acumen evident within these displaced outsiders, ensured that, in many places, they soon came to secure an absolute monopoly of the supply of loans and credit to the rural working class – who, in the vast majority of instances, were

excluded from the formal banking system. Wolff was able to observe this figuration first-hand:

My inquiries into the system of small holdings in those regions [Western and Southern Germany] have brought me into personal contact with many of the most representative inhabitants – heads of agricultural departments, judges, parsons, peasants. And from one and all – here, there, and everywhere – have I heard the self-same ever-repeated bitter complaint: that the villages are being sucked dry by the ‘Jews’ ... There are not a few Christians, by the way, among those ‘Jews’, though originally the evil was no doubt specifically Hebraic – not altogether owing to a predilection of those who made a practice of it. They were practically driven into it. Germans do pretty well in the way of anti-Semitism even now (p. 67).

The ‘Draconic’ laws with regard to bills, and the peculiar regulations applying to foreclosure, the personal liability of the debtor for any balance of debt remaining uncovered by a forced sale, and lastly, the convenient practice of lending out livestock, as *Einstellvieh*, to remain the creditor’s, though fed at the cost of the debtor, materially and terribly facilitate the crafty practice. Plenty of cases are cited in which the poor peasant has been compelled to take the usurer’s lean and dry cow at a high price, in order to feed it up and return it, in exchange for a fresh lean one, when brought into condition and in-calf. It is a current saying that once you are beguiled into trading with one of these ‘Jews’, you are infallibly lost, as surely as is a fly caught in a spider’s web. You are made to buy from him, to sell to him – all at his own prices (Wolff, 1893:68).

Wolff suggests that the abuses of money lending often associated, though not always, with the activities of Jewish lenders, led to the character of the Rhine’s rural economy

and its social relations that inspired Raiffeisen to become an economic reformer. His *Brotverein* and two other associations he started between 1846 and 1849 were charitable in structure and ethos, although they revealed aspects of cooperation in respect of their practice of discounted sales of seeds and potatoes and installment arrangements for the selling of cattle. Like Schulze-Delitzsch, Raiffeisen's first unions were set up from funds pledged by wealthy citizens who shared his public-spiritedness and religious convictions. And, like Schulze-Delitzsch, Raiffeisen's first unions were weakened by the fact that despite their initial convictions, his patrons' social consciences soon gave way to their desire for returns on their investments.

Despite the economic individualism exhibited by the established upper classes of his town, Raiffeisen was loath to surrender his aim of creating cooperative unions based on charity without regard for self. Indeed, on becoming mayor of Heddersdorf in 1854, he set up the Heddersdorfer Welfare Organization which not only adopted the charitable loans and distribution principles of his earlier associations, but also promoted the care and education of destitute children, hired so-called 'shirkers' and former criminals, as well as funding the building of several libraries. The son of a devout Lutheran widow, Raiffeisen's poor upbringing had excluded him from formal education. He was taught by a local minister and had sought to improve his social position by joining the army, until failing eyesight forced him to leave military service. After a failed attempt to establish a cigar factory, he took to wine trading and selling life insurance which enabled him to gather enough savings to provide for himself and his family for the rest of his life. However, most of his spare time was involved with Christian charity and welfare work and his solid Lutheran beliefs informed all his charitable and cooperative efforts. This can be seen in his decision

not to allow the distribution of profits made by the Heddersdorf Welfare Organization until a reserve fund was established. Moreover, he insisted that its capital be unalienable and should the association be dissolved, *all* assets were to be distributed for the benefit of the local poor.

In the light of the success of Schulze-Delitzsch's credit unions, Raiffeisen studied their structure and activities. Impressed by their efficiency, and aware that Schulze-Delitzsch himself had seen his first credit union nearly fail because of 'philanthropists' eager for profit, Raiffeisen re-organized his Heddersdorf association along Schulze-Delitzsch lines. Writing to a friend in 1864, he admitted

I was loath to give up the idea that cooperative societies should be based on charity without thought of self or pelf. I maintained my original idea in a letter to the well-known organizer, Mr. Schulze-Delitzsch, an efficient worker in economies, but experience compels me frankly to admit that such societies must consist only of the persons who personally need their help and thus have an interest in keeping them going (cited in Moody & Fite, 1984:18).

2. The Models Compared

Nevertheless, there were fundamental differences between the successful Schulze-Delitzsch model and the one Raiffeisen introduced in Heddersdorf in 1864. Indeed, the distinct emphases that these two models exhibited have set the tone for nearly all subsequent credit union formation and development in the West from that time onwards. Both models rely on the notion of self-help, but while Schulze-Delitzsch

consistently championed credit unions as a vehicle to promote economic self-sufficiency, Raiffeisen always stressed that they relied on underlying shared beliefs and principles (in this case, Christian values and charity). For Raiffeisen, this provided the vital motivation for a union's activities and awarded them a level of integrity and security that would provide a firm foundation for their development and successful growth. Secondly, while Schulze-Delitzsch credit unions were virtually all urban-based (with memberships usually drawn from shopkeepers or general workers), Raiffeisen's were exclusively rural (usually farmers). And thirdly, while Schulze-Delitzsch encouraged developing unions to spread their membership over a large and economically varied area, Raiffeisen steadfastly maintained that membership should be restricted to a small district – preferably a parish.

From his investigations, Wolff offered three main factors as to what distinguished the two credit union models. And why this led to a situation that, despite Schulze-Delitzsch's active political involvement and his considerable organizational abilities, the growth of Raiffeisen credit unions outpaced that of the Schulze-Delitzsch model. To an extent, in fact, where the Raiffesen credit unions came to dominate the sphere of informal cooperative association in German society.

i) As mentioned, upon joining a Schulze-Delitzsch credit association, every member was expected to take up one share (one member-one share was regarded as insurance that an association would not be effectively demolished by richer members securing majority share ownership). And these share prices were deliberately set quite high – in line with Schulze-Delitzsch's desire to encourage saving and thrift. At the time Wolff was observing them (the late nineteenth century), the average share price

among the existing associations was around 500 marks (at the mark's value in 1893). This share price need not be met in one payment but could be paid for through instalments – thus committing a new member to a long course of saving. Failure to meet his or her obligation of regular deposits towards their share, could result in that member incurring a fine, or even forfeiture of their share altogether. However, once payment of the share had been met, the new member would receive between five and twenty per cent annual dividends on their savings (depending on the size and success of the particular association). In order to ensure such dividends, the Schulze-Delitzsch associations charged an average of 8 per cent interest on any loan granted, and set stringent short-term arrangements for loan periods (namely, three months with a possibility of a further three-month extension). And while these associations were permitted to involve themselves with certain formal banking activities (to help increase their capital), this arrangement concerning share-buying and loans resulted in a situation whereby the borrower actually became the main source of revenue. Indeed, for Schulze-Delitzsch, the depositor's (lender's) interests were deliberately placed foremost over the borrower's. This situation led Wolff and other commentators to argue that, in effect, Schulze-Delitzsch 'credit associations' very soon evolved into *savings* banks. Moreover, the long-term saving required by a member in order to meet his share price resulted in many of the poorest classes being effectively unable to consider membership. Small tradesmen, clerks, artisans and so on, could quite possibly take up installment payments with a good chance of meeting the commitment, but for a worker unable to contribute much more than a few marks at a time – and certainly unable to guarantee even this humble sum on a regular long-term basis – membership was a goal many could not hope to achieve.

ii) The second factor is that Schulze-Delitzsch associations believed it was necessary to pay all those involved in the running of the enterprise and, moreover, many associations paid commission to officers who had been directly involved in the setting up of a particular member's loan arrangements. This situation, unsurprisingly, led to numerous instances where officers lent money without proper regard for security, eager as many were to earn increased commissions. Indeed, from the figures available for 1885, from a collective turnover of 24,835,268 marks, the registered Schulze-Delitzsch credit unions paid out nearly 3 million marks in salaries and commission. These arrangements had two identifiable consequences. Firstly, coupled with the practice of awarding dividends on savings, many associations began to increase these as well as the amount of commission paid to officers. As a result, quite a number of associations actually converted themselves into ordinary joint-stock loan offices – and some actually became formal joint-stock lending banks. In 1891, for example, the Ministry of Justice in Saxony reported that out of the 115 'Credit Associations' existing in the region, 12 had converted to lending banks (Wolff, 1893: 59).

Secondly, maintaining dividend and salary/commission levels caused many associations to literally implode under the pressure of both bad debt resulting from ill-considered lending, and from facing considerable regular outgoings - even when membership saving and loan requirements might be experiencing a lull. Between 1875 and 1886, 36 Schulze-Delitzsch associations were declared bankrupt and 174 went into liquidation. And, considering their initial success, some of these failures had tangible negative consequences for the areas where they had been formed. For example, when the Düsseldorf Association collapsed in 1878, the panic that ensued

threatened to destabilize the entire local economy. Other serious crashes also occurred in Chemnitz, Bonn, Rosswein, Wrietzen, Allstedt and Dessau. In May 1880, a member of the Prussian Chamber reported that the 24 Schulze-Delitzsch associations that had failed in that area had between them lost over 7 million marks. Many commentators of the time, Wolff included, cited dividend greed and commission-hungry officers as a major contributory factor in these collapses.

Moreover, the potential jeopardy that threatened these associations as a result of their internal structure, was heightened by the fact that they provided no constitutional check on the possible self-seeking motives of officers, or on the potential greed of savers. That is, through their desire to gather members from a large economically varied area, the memberships of many associations became disparate and unwieldy. Paradoxically, Schulze-Delitzsch's desire for his associations to achieve economic strength in many cases resulted in a situation whereby their goal of representative administration in reality translated into pockets of vested interests, often unknown to each other, operating within the same association. Indeed, from his investigations, Wolff found several cases where this fragmentation of sub-groups within the cooperative actually resulted in credit associations being found to have lent money to usurers (Wolff, 1893:56).

(iii) Such unintended consequences as these form the basis of Wolff's third main criticism of the Schulze-Delitzsch associations. Namely, being convinced that members would not commit to regular saving without the payment of regular dividends, Schulze-Delitzsch assumed a degree of economic instrumentalism among members that, in fact, his associations were actually encouraging. In effect, by

promoting the payment of dividends on savings as a means of attracting members, the level of dividends that savers could receive became as important a factor to membership as the awarding of loans.

Time has shown all Schulze's apprehensions to be ill-founded. People require no 'compulsion' to make them save, when they can be educated to see that it is in their interest to do so; capital demands no high dividends to attract it; capable men are to be secured without salaries. But on the other hand associations require that which Schulze refused to give them:- close and constant touch among their members, manageable districts, strict control and discipline. Co-operative credit rises all the stronger for this discovery from the trial upon which it has been put:- more self-reliant, more independent of outwards helps, more powerful in its own resources (Wolff,1893: 22).

For his part, Raiffeisen consistently insisted that each of his credit unions be confined to one particular district – his preference was that of a parish. Within these territorial limits members were to be elected, on application, with considerable discrimination on the part of those who had already joined. The object being – a vital aspect of Raiffeisen's philosophy – not to secure a large roll of members, but rigidly to *exclude* everyone not eligible. However, there is no evidence to suggest that this form of social closure was arranged along class or status grounds. Once successfully admitted to the credit union, no difference of any sort was constitutionally legitimized between rich and poor.

To join a Raiffeisen credit union, a farmer required the positive endorsement of his character by his neighbours. He need not be wealthy but should have tangible assets

(ownership of land was an obvious benefit but a tenant would be eligible if he owned livestock and equipment). For the first few years of its existence, a credit union would provide no share capital as it raised money by borrowing on the joint liability of its members. Modest interest would be paid on deposits, however. The running of the union was democratic (one member, one vote), with an elected management committee and council of inspection, much like Schulze-Delitzsch models. And, similarly, richer members were expected and encouraged to be involved in administration and decision-making, in consideration of their greater monetary submissions to the union. Yet, all day-to-day activities within the union were run on a strict volunteer basis, with only full-time cashiers receiving monetary compensation. Although these cashiers were not, however, involved in the granting of loans or membership and dealt solely with cash deposits and withdrawals.

But, more than this, all 'banking', in the formal sense of the term, was strictly forbidden. Raiffeisen credit unions should have no truck with risk. To this end, there would be no bills, no mortgages, or pledges. The credit union would exist for personal credit only, supply that credit only by borrowing, and borrow only on the credit of the association. In general, individual members would derive no benefit except the privilege of borrowing, and every *pfennig* left out of transactions would be religiously deposited into the union's reserve – what Raiffeisen considered to be the financial backbone of any association such as this. Once this bedrock capital was established, a credit union could better meet any deficiencies arising from members' hardship; it could also begin to replace borrowed capital, thus making it possible to offer cheaper loans. Should a union's reserve outgrow both these tasks, it should be applied to some public work of common utility benefiting the district. Moreover,

whatever the size of any credit union's reserve, no sharing-out would be permitted even if a union were to dissolve. Rather, it would either be distributed to help alleviate any pressing hardship within the district, or, preferably, be submitted to a public institution to be kept on trust until required for the endowment of a new association formed in the same district, and under the same rules.

Wolff describes the organizational fabric of these credit unions as being woven around pure cooperation, safety, caution and stability - with the same principle being applied to lending. In short, the whole organization was so framed as to *check* borrowing rather than encourage it. Money would be found for every member who needed it, but, in every case, he must make out his case for the economic justification of the loan and, vitally, his trustworthiness. This, for Raiffeisen, could not be assured simply through impersonal economic contract. It would only obtain if the individual member's character could be, as it were, guaranteed by the very group of which he was a member. Wolff saw this working first-hand, and his observations bring out well the structure of social control involved:

In a small district everybody as a matter of course knows everything about everybody else, and is a constant check upon him. A man could not misapply his loan money without his neighbours being made aware of it. And once every three months the Council of Supervision meet for the special object of reviewing the position of debtors and their sureties, and considering the employment given to the loan money. Should a surety be found to have seriously deteriorated in solvency or trustworthiness, a better surety is at once called for in the interests of the association. And should that demand not be complied with, or should the debtor be found to have misapplied the money ... the loan is at once called in, at four weeks notice. This may

seem harsh dealing. But it is absolutely necessary for the security of the association. And in practice, it has not been found to work at all harshly. Those who apply it are the debtor's own friends and neighbours, who are sure not to have recourse to their *ultima ratio* except in cases of absolute necessity. As a matter of fact, it has scarcely been resorted to at all – which just shows its value as a birch-rod on the mantelpiece (Wolff, 1893: 76-77).

[T]he smallness of the districts, which gives to every association an entirely local character ... brings home to members their share and interest in it. This really cannot be understood at a distance. To realise it, you must go among the people, and see and talk to them, watch the pride with which they contemplate their successful institution, the zeal with which they make themselves acquainted with all its transactions ... They have their savings-bank and put into it, because it is their own. They watch at all points to make sure that the association can suffer no hurt. They discuss all that goes on in connection with it. It has linked them together with a new bond of union which firmly establishes peace and kind feeling (Wolff, 1893: 88).

From the above, one might consider that the organization and activities of these credit unions were somewhat intrusive and overpowering for the members – especially, one might suggest, the poorer ones. Yet, it should be remembered that the overwhelming percentage of the Raiffeisen credit union membership was made up of poor people, and that, once their character was endorsed *by their peers*, all that was required from them was 'note of hand, unbacked, or else backed by one, or most generally two sureties, according to the circumstances of the case' (1893: 77).

In the first 16 years of their existence, Raiffeisen credit unions remained modest in number. But from 1880 onwards, they proliferated at a considerable rate. In 1867

there were 32 active Raiffeisen credit unions, but by 1888 there were 425 throughout south and south-west Germany. Like Schulze-Delitzsch, Raiffeisen laboured to form regional and national organizations to bind his credit unions into a whole, provide a forum for the exchange of views and experiences, and to supply legal and financial backing. Several fledgling organizations were formed, re-vamped or disbanded over a decade, but by 1913 the Raiffeisen cooperative societies had established their own central organization overseeing and encouraging the development of some 16,927 affiliated credit unions. Moreover, the formation of the Raiffeisen Central Bank in 1876, as well as being what Wolff termed 'the common cash box intelligently administered' (1893:79), provided an umbrella organization which could hold associations' surplus moneys (giving 4 per cent interest) and lend to any credit union (at 4½ per cent plus a small commission). This, in turn, allowed the Central Office to develop other services for affiliated local associations – including an extremely successful system of cooperative supply for machinery, feeding stuffs, manures, seeds and coal. Moreover, this cooperative supply system was readily copied by other cooperative and quasi-cooperative associations right across Germany. Wolff also witnessed the setting up of a Raiffeisen-affiliated cooperative Insurance Department which, among other services, offered insurance against livestock disease. As well as this, the Raiffeisen movement also lent its experience and expertise to the formation of cooperative wholesale associations among the hop and vine-growers of the Rhine, Moselle, and Arh valleys.

Of all the cooperative associations that Wolff researched and visited, the Raiffeisen credit unions drew his highest praise. And he cites a variety of sources - ranging from European governmental departments and individual economic reformers he

corresponded with, to economic journals and official reports - to support his findings. The following example comes from an official agricultural report written for a regional authority of Westphalia, and is worth quoting at length because of the vivid way in which it draws out the contrast between the two types of credit union.

The Credit Associations (of the Schulze Delitzsch type) aim at high dividends by the largest possible extension of their business, as regards both territory and operations. This has in many instances led to speculation for the sake of gain (the acceptance of unsafe mortgages in consideration of a higher interest, the dealing of speculative shares, or else the investment of the reserve in such effects, the discounting of bills without sufficient knowledge of such business), more especially where officers are remunerated by *tantième* (*i.e.* commission). These are, briefly summarised, the causes why the 'credit associations', which had been much in vogue up to the company-promoting years, 1871 to 1873, have in this kingdom found themselves compelled to call up very considerable payments from their members, in order to enable them to continue their existence, or else go into liquidation ... The very painful experiences in respect of Credit Associations, by which many an agriculturalist, required, after years had gone by, to meet unexpected calls, has lost all his property, made people at first so shy that for a long time they could not be convinced that the Raiffeisen Loan Banks, in striking contrast to these associations, afford *almost absolute security*, since they are administered on totally different principles (no dividend, no speculation, salary only to the cashier, small districts, confined only to one parish or to one or two adjoining ones). Accordingly it was only by slow degrees that such associations could be introduced here ... Now that a beginning has been made I expect a rapid advance in the formation of Loan Bank Societies' [emphasis in original] (Wolff, 1893: 106-107).

3. Observations

Yet, despite the positive endorsements of those who, like Wolff, witnessed the considerable benefits and opportunities that followed from the formation of these elective associations, that can only go some way to explain just why it was that the Raiffeisen credit union idea spread so widely and rapidly among the German rural former peasant class – and specifically amongst the small farmers of the south and west. After all, we know from Weber that there were tangible differences between the social structures of south and west and east German provinces under feudalism – and, moreover, in the dynamics that accompanied the transition into industrialization (see *Capitalism and Rural Society in Germany* in Gerth & Mills [1985]). With the differences Weber identifies between the traditional forms of landlordship in the east and west; the particular economic and social relations that this engendered between landlord and peasant; as well as the extent of patrimonialization of public authorities in these two regions, he was led to conclude that at this period in its history Germany was effectively divided into two forms of capitalism: agrarian in the east, and industrial in the west. And, moreover, these two forms largely determined the changing economic and social relations between capitalist landlord and former peasant. Under the agrarian capitalism of the east, members of the former peasant class could largely still only find rural employment as the hired labourer of a landowner, and with the pressure of competition driving down prices and with them wages, many former peasants either emigrated (mostly to the US) or sought employment in the developing east German cities.

Whereas in the west, Weber says:

... the small peasant, if he knows how to free himself from the fetters of tradition, is able to adapt to the condition of the new husbandry. The rising rate of rent in the vicinity of the cities, the rising prices for meat, dairy products, and garden vegetables, as well as the intensive care of young cattle possible for the self-employed small farmer, and the higher expenses involved in hiring men – these factors usually afford very favourable opportunities to the small farmer who works without hired help near wealthy centers of industry. This is the case wherever the process of production is developed in the direction of increasing intensity of labour, rather than of capital.

The former peasant is thus transformed into a labourer who owns his own means of production, as we may observe in France and in southwestern Germany. He maintains his independence because of the intensity and the high quality of his work, which is increased by his private interest in it and his adaptability of it to the demands of the local market. These factors give him an economic superiority, which continues, even where agriculture on a large scale could technically predominate (Weber in Gerth & Mills, 1985: 367).

Moreover, and extremely pertinent to our particular concerns, Weber describes how these co-operatives influenced economic relations among the former peasant class:

The great success of the formation of co-operatives among the small farmers of the Continent must be ascribed to these peculiar advantages which, in certain branches of production, the responsible small agriculturist possesses as over the hired laborer of

the large farmer. These co-operatives have proved the most influential means of the peasants' education for husbandry. Through them new communities of husbandry are created, which bind the peasants together and direct their way of economic thinking and feeling away from the purely individualistic form which the economic struggle for existence in industry assumes under the pressure of competition. This, again, is only possible because of the great importance of the natural conditions of production in agriculture – its being bound to place, time, and organic means of work – and the social visibility of all farming operations which weaken the effectiveness of competition among farmers (1985: 367-368).

Weber's analysis provides us not only with a detailed description of the 'peculiar advantages' that the southwestern small farmer possessed, but also reveals how this situation facilitated the success and growth of cooperative association among this group. In consideration of the data examined in the previous sections, there is every reason to believe that Weber is thinking in particular of the Raiffeisen credit union idea. It was, after all, the most successful cooperative association among the very farmers Weber is discussing. Raiffeisen's great skill, it seems, lay in both his first-hand knowledge of this group's social conditions, and of how the strong group cohesion that characterized smaller communities within this broad group provided fertile ground for his (Lutheran-informed) philosophy of how and why these associations should conduct their affairs. Weber provides us with a description of the prevailing structural conditions within which the new small farmer of the south and west was well placed to improve his economic position, and with it his life-chances and status, under the developing industrial capitalist system of western Germany. Raiffeisen's idea was significant in the way in which it took root among the former peasant class – in large part relying on long-standing *Gemeinschaft* relations among

them - and yet through its activities was able significantly to contribute to the changing habitus of rural life. Note, too, how Weber describes how elective associations like Raiffeisen's fed back into traditional communities by both engendering a far less individualistic economics among them than that which characterized the competitive struggle in industry, as well as encouraging and facilitating in the creation, as he says, of 'new communities of husbandry' – of which the successful cooperative supply associations previously mentioned are a prime example.

In short then, the picture revealed to us is one where a conjunction of (i): shifts in the processes of economic relations between and within social classes, taking place in this case within the developing industrial capitalism of western Germany, and (ii): long-standing *Gemeinschaft* relations and sentiments (and, particular to this case, the social visibility of all farming operations that these small communities fostered), merge in the elective associations (credit unions) many members of this particular class formed among themselves.

Raiffeisen's credit unions were run with particular attention to notions of strict organizational and economic efficiency (with many volunteers acquiring considerable skill in administration) but nevertheless remained part of what became a very large informal credit and savings association. The movement's constitutional rejection of formal banking which seeks to maximize profit, necessitated that the Raiffeisen credit unions create their own surplus from their savings, which the contribution into the association's reserve provided. Raiffeisen recognized that during this vital early stage of a credit union's life, as it slowly built up its reserve, it must ensure the integrity of

the association at all times. And it was the existing *Gemeinschaft* relations within the parishes that Raiffeissen believed would achieve this. As we have seen, both these and other aspects of their local habitus lent the fledgling credit union a good chance of success. Then, as the movement begins to grow and develop it starts to, as Weber says, ‘bind the peasants together’ (1985:368), and direct them away from purely individualistic economic thinking by facilitating the creation of new ‘communities of husbandry’, educating them in many aspects of the new practices of husbandry that the urban-centred industrial capitalism demanded.

At this juncture, and referring back to the discussion in chapter 2, it becomes apparent that Tönnies ideal-type concepts do not hold enough flexibility within them accurately to characterize the different types of bonds evident within this social phenomenon.

Certainly, *Gemeinschaft* bonds dominate among the members of each particular credit union, but can we apply the same criteria to the bonds that maintained the integrity of the wider and more differentiated associations this phenomenon developed? And, in particular, how do we explain the fact that as a broad collective of elective associations, this movement fed back into the very communities from which it sprang – and, indeed, created new forms of farming community?

It is here that certain aspects of Schmalenbach’s *Bund* (1977) concept can be of help. As explained in the previous chapter, Schmalenbach posits a *Bund* as an elective form of sociation maintained through the affective solidarity its members have in pursuit of a particular set of shared beliefs (Hetherington, 1994). At the level of an individual Raiffeissen credit union, the bonds between members would be predominantly *gemeinschaftlich*, but at the level of the movement’s regional and national

associations the nature of the bonds appears more *bundlich*, as in the strong feelings for the credit union idea that were held by the various leaders of the movement – with ‘good father’ Raiffeisen at its charismatic leader (Wolff, 1893:56). Moreover, as the movement grew in size and influence, it was able to more effectively mediate between the changing structural conditions of wider German society and the small-farmer class from which it had sprung. That is, as an elective association with certain *bundlich* characteristics, the Raiffeisen credit union movement was able to influence, indeed create, different forms and shades of certain elective associations within the *gemeinschaftlich* bond networks operating at the village and parish level. In Schamalenbach’s typology, this highlights the interplay between the three categories. In this case, we can see the Raiffeisen credit union movement as a successful informal economic association operating in certain regions at a time of considerable and wide-ranging structural change. Faced with a shifting *Gesellschaft*, it could rely on the *Gemeinschaft* relations and social visibility of farming operations as a bedrock, but as a wider social phenomenon involving tens of thousands of individuals, took on many of the characteristics of an elective form of sociation maintained through the affective solidarity its members had for one another in pursuit of a particular set of shared values and beliefs. In this case, this was the affection and pride that was felt by so many for their credit unions, based in the beginning on their success in wrenching thousands of former peasants free from crippling debt and the constant fear of starvation, and later when their activities enabled whole regions to adapt to and take advantage of the changing forms of husbandry being ushered in by the advancing urban-centred industrial capitalism.

However, although we can identify distinct aspects of a *Bund* in the Raiffeisen credit union movement of south and south west Germany, our interpretation does not allow for Schmalenbach's definition that a *Bund* is usually small-scale and spatially proximate. In this respect, we must return to Schmalenbach's initial inspiration for his development of the concept. As Hetherington reveals (1994:10), this inspiration stems from Schmalenbach's study of German youth movements – small, Romanticist groups seeking a sense of fusion through an idealised authentic experience of the 'lost *Gemeinschaften*' of the past. Yet, and as considered in detail in the previous chapter, Schmalenbach considers all types of *Bünde* as reflexive forms of sociation which can be seen taking various forms during the 'typical epochs of history' (1977:119). Indeed, he views history as a constant interplay of the forms of sociation located within his *Gemeinschaft/Gesellschaft/Bund* trichotomy. For him, historical examples of *Bünde* include: Corybantic religious groups of the Middle Ages formed in opposition to the emerging centralized 'church'; and the Calvinists of the 'Modern Period' (1977:122) with their strict adherence to the stoicism of Antiquity. And yet in Hetherington's tracing of the use of the term from the fifteenth century, he reveals that it has always retained a general meaning which describes non-institutional forms of bonding, usually political or religious, with different groups stressing either aspect more than the other depending on their particular concerns. Indeed, even within Hetherington's discovery of the earliest use of the term we can see clear traces of elective association. According to Hetherington, the term's first recorded use was in describing a legal covenant, or a federation/alliance, usually between German principalities. However, despite the apparent institutional aspect of such federations – exemplified in the legal contract between the individual principalities – we can find in

Schmalenbach important evidence that suggests that even in this case, *bundlich* bonds were present.

In seeking to show how *Bünde* relationships attempt to overcome their intrinsic instability, Schmalenbach contends that the *Bund* will foster an acceptance of the ethos of 'fidelity' (1977:97) which means '*adopting in reality part of the ethos of society and part of the ethos of community*' (1977:97) [my emphasis]. It is particularly noteworthy that in this regard Schmalenbach draws on the notion of fidelity that existed among the old Germanic system of knighthood – 'one of the most outstanding examples of [*Bund*] relationships' (*ibid*). We know from Elias (2000) that even in the late-medieval period, princes and knights were bound together by strict notions of chivalry and honour (pp.168-178), and Schmalenbach's identification of a *Bund* relationship evident within a whole stratum of society at that time perhaps reveals that he may have extended his inquiries in an attempt to discover examples of *Bünde* in the modern era that were not predominantly small-scale and spatially proximate. In these cases it is compatible with the concept that both forms of allegiance and wider commitments can be accommodated.

Schmalenbach's insightful work provides us with a useful theoretical tool and a worthwhile direction of concerns with which to account for a wide range of elective associations within different figurations and, crucially, the importance of affective motivations within them.

Furthermore, this importance can be highlighted by mentioning another aspect of the Raiffeisen credit unions which reveals, to some degree, the boundary between this

particular form of elective association and others that were active at the time. This can be seen in Wolff's observations when he describes that at the height of the Raiffeisen movement's success, a group of cooperatives that had joined the wider Raiffeisen association, actually broke away from the movement – citing an 'overly righteous' ethos within the movement and complaining that they found the rules of membership and affiliation 'too severe' (1893:110). Indeed, despite the Raiffeisen movement's obvious success, and the new forms of cooperation it engendered, the Raiffeisen movement did not extend its activities to include many other groups and communities within German society. Nor did it inform their particular attempts at elective financial association. As a keen economic reformer enthused by the Raiffeisen movement, Wolff found this state of affairs lamentable:

The difference between Schulze and Raiffeisen, of course, is plain and self-evident. But here are Haas and the *Landwirtschaftliche Genossenschaft*, the Westphalian, and Franconian, Posen, and Broich, and nobody knows how many more systems running into one another like the pieces in a child's map-puzzle, with the ultramontane (both Roman and Lutheran) *Bauernvereine* spreading out their 'arms' like octopods over a good bit of common area, to suck up what spoil they can for the benefit of 'Mother Church'.

The *Deutsche Landwirtschaftliche Genossenschaft* ... separated from the Schulze-Delitzsch associations, because that organization would not in the matter of long credit accommodate itself to the requirements of the market ... While Posen, constitutionally disenfranchised, is preserved as a state within a state, with customs and institutions different from those of its neighbours ... But there are other connections, each with its fifty, a hundred, or two hundred associations, one with only

six – one or two with their little central body and central bank – for the separation of which there is absolutely nothing to be said (Wolff, 1893: 110-111).

At this point, it is worthwhile to consider de Swaan's (1988) work on 'cooperation among equals', not only as a theoretical template to analyze this particular elective association but also as a means of locating our particular study in the wider context of figurational sociology. While it must be stressed that de Swaan is referring particularly to examples of industrial workers' mutualism rather than farmers' co-operation (1988:143-151), his reflections on 'self-management' are relevant. Similar to the workers' guilds and Friendly Societies de Swaan describes, the Raiffeisen movement displayed, what E.P. Thompson describes as the 'rituals of mutuality' (cited in de Swaan, 1988:144). Although in the Raiffeisen case these were largely woven within the existing fabric of the local community, undoubtedly the stress on good character and honest dealing in the credit unions facilitated a further 'social constraint to self-constraint'. Along with the factors identified by Weber, the situation in South and South-West Germany constrained (compelled) the farmers to come together.

In terms of self-restraint in this case, the movement had very few problems over fraud or mismanagement and there is no evidence to suggest that Raiffeisen credit unions were often beset with paralyzing mutual suspicion or conflicts. As we have seen, this was less so with many credit unions that were set up under the Schulze-Delitzsch model. A significant number of these credit unions had a distinctly heterogeneous membership that bade ill for attempts at mutual identification and reciprocal solidarity. Indeed, as Wolff shows, the very constitutions of these credit unions – especially their focus on dividends and commission for their professional staff – could

be seen to encourage internal competition and mutual distrust. What seems to characterize the Raiffeisen credit union movement is its apparent strategy – which Raiffeisen had long-planned, influenced by his contacts with the Schulze-Delitzsch system – to, in effect, disperse the concentration of risks that accompanies the social heterogeneity of cooperation among equals, by seeking, as soon as was practicable, a more homogenous membership in the form of regional associations of his credit unions and, especially, the setting up of the Raiffeisen Central Bank in 1876 which acted, literally, as a credit union for credit unions.

The Raiffeisen credit union movement is probably best described within de Swaan's model as a large-scale and collective, yet voluntary, savings and loans association. One which, nevertheless, did display a remarkable ability to deal with external reality. Indeed, having learned of or personally witnessed the successful workings of the Raiffeisen credit union system, many social economists, researchers and commentators took the idea beyond the German borders, eager to inspire or actually set up similar associations in their own countries. And, the Schulze-Delitzsch system proved influential as well. However, from all the historical research undertaken for this study, it is most commonly the Raiffeisen credit union movement that is cited as the archetypal credit union system of the modern age.

Excursus: Other Examples of Credit Unionism in 19th Century Europe

Wolff (1893) reports on a variety of other examples of credit unionism and cooperation he observed and studied in Europe – many of these influenced directly by the two German models – and goes some way to show how the different social and

political relations of these countries influenced both the structure and general development of these movements.

1. Credit Unions in Austria-Hungary

In Austria-Hungary, for example, it was among the peoples of the Slav provinces where credit unionism grew initially, with several hundred associations being formed over a decade in Bohemia, Moravia and Galicia. In the Hungarian metropolitan county of Pest, Raiffeisen-inspired credit unions and loan banks were the chief vehicles of cooperation among the inhabitants, albeit without unlimited liability of members. While among the Saxon settlers of Transylvania, the Raiffeisen idea was copied almost identically. In Austria, credit unionism ‘flowed’ down the Danube becoming the most popular form of cooperation there. Indeed, in 1889, Austria boasted a greater proportion of credit associations to territory than that in Germany. Yet, Wolff is at pains to point out that while these elective associations proved as popular among Magyars, Slavs and Turanians as they did among Aryans, he could find very little evidence of cooperation *between* these groups and nationalities – even though, in many cases, the associations they had formed were remarkably similar in both structure and ethos (1893:112-116).

Wolff also comments on the ‘pitched battle’ that took place between the Schulze-Delitzsch and Raiffeisen systems in Austria from 1886 to 1889. Schulze-Delitzsch’s idea was first to gain a footing there, but in 1886 the Diet of Lower Austria responded

to a number of sharp attacks upon the Schulze-Delitzsch system by disillusioned members. As in the case of failures in many German examples, complaints centred on excessive interest payments and speculation leading to losses and dissolution. In response, the Diet approved funds for two provincial officers to visit the Rhineland in order to observe the Raiffeisen system at work. After submitting a wholly enthusiastic report on their return, the Raiffeisen idea was adopted as the officially recommended credit cooperative system by the Diet – with the Austrian Chamber of Deputies taking favourable note of the associations formed in that province soon after. With such positive endorsements given to it, other provincial Diets began to adopt the Raiffeisen system and within three years associations were formed – often with ‘start-up’ grants awarded by local governments – in Upper Austria, the Tyrol, Styria, Carinthia, Vorarlberg, Salzburg, Hungary and other provinces (1893: 118-120).

2. Credit Unions in Italy

The Banche Popolari

In Italy, too, the credit union idea was to take root – in this case as a result of the work of an enthusiastic economic reformer whose first *Banca Popolare di Milano* found its profile, and its membership, greatly enhanced as a result of a formal banking crisis brought on by war (Wolff, 1893; Francois, 1899). As a young economics graduate, Luciano Luzzatti had written a tract concerning ‘*The Diffusion of Credit*’ in 1863, drawing heavily on the work of Schulze-Delitzsch. Yet, Luzzatti considered that, despite the originality of Schulze-Delitzsch’s ideas, in practice the German associations were burdened by an overly-complex apparatus relying on too large a

number of separate supports which were, in many cases, not reconcilable among themselves. Luzzatti was also convinced that the circumstances of the two countries were so different that to simply employ a mechanical copy of the Schulze-Delitzsch system in Italy would be doomed to failure. In particular, Luzzatti believed that Schulze-Delitzsch's penchant for unlimited liability among members would be simply unworkable in Italy. Such a practice was, for him, 'an economic tradition of Germany descended from the propertied classes to the poor' (cited in Wolff, 1893:136).

Instead, Luzzatti drew up plans whereby his proposed *banche* would employ simpler structures than the German people's banks, restricting themselves to the discounting and passing on of bills of exchange. Borrowing, in the manner of Schulze-Delitzsch associations, would mean direct and continued dependence upon others – an arrangement largely unfamiliar to Italians at this time. Dealing in bills and current accounts (based on limited liability) would offer a system established and understood by potential members, and would facilitate simpler business practice. And as the banker's currency, a bill of exchange would always be mobile – that is, readily convertible. This would, considered Luzzatti, help protect an association from both bad debt and wider economic downturn. Their 'ever mobilized portfolio' would not only allow them to realise their funds at short notice if needed, but also would provide established associations with a direct source of profit – insomuch as with a new signature on the back, bills became negotiable at a lower rate of discount (1893: 137-138; 139-140).

Moreover, Luzzatti's *banche*, like Raiffeisen's associations, would lend members bills for *productive* purposes only. That is, to supply on credit working capital for trade, commerce or agriculture. But like Schulze-Delitzsch, Luzzatti required that members

would each purchase a share in the *banca*. These shares were set at a somewhat lower price than that of the German associations, yet Luzzatti considered it prudent to insist on a shorter installment period for full payment. Coupled with a 25 lire entrance fee (to help establish a reserve but mainly as an earnest money which would be forfeit should a member leave the *banca*) the cost of the share was set at about 50 lire. And both entrance fee and share price must be met by each member within ten months of successful application. Not surprisingly, such a condition would prove too exacting for many poorer working men, yet this did not overly concern Signor Luzzatti. Indeed, he did not consider his proposed *banche* should exist for the very poor – they should, it was his belief, avail themselves of charity or the support of friendly societies until their position had been raised sufficiently for them to consider membership.

Luzzatti's first endeavour in cooperative banking was set up in 1866 when the *Banca Popolare di Milano* first opened its doors on May 25. Working out of a small hired room, on its first day Luzzatti's *banca* could only boast 700 lire in capital donated by several of his friends, who had lent their support more out of sympathy for Luzzatti's exuberant passion rather than in anticipation of his cherished *banca's* success (Francois, 1899: 456). Yet, within just a few days of its existence, an event occurred that provided Luzzatti with an unexpected but considerable opportunity not only to prove the efficacy of his idea, but also to raise the *banche popolari* idea towards wide public favour and reputation. In early June the Italian government declared war on Austria and in an ill-considered move to ensure adequate military expenditure, pronounced the enactment of forced currency for the notes issued by the National Bank. This resulted in the premium being muscled up to 10 per cent in a matter of

days and the ensuing financial panic saw runs being made on scores of savings and deposit banks across Italy. Indeed, the formal savings bank in Milan lost over 800,000 lire in less than a week (Wolff, 1893: 143). Luzzatti was not slow in seizing his opportunity. He laid elements of his *banca popolare* idea in front of a Milan Giunta Municipale panicked by serious fears of rioting, and having secured their official permission began issuing *buoni di cassa* – bonds, or bills, that is, not notes – for five, three and two lire against security. Desperate Milanese flocked to Luzzatti's hired room to purchase these *buoni* and the financial panic was eased considerably. For their part, the *banca popolare* saw its membership reach 1153 by the end of twelve months and its capital swell to 217,000 lire. In its first year of existence, the *banca* also discounted to the amount of 687,606 lire, and received on deposit 341,000 lire – and from an opening day's transactions amounting to no more than a few lire, Luzzatti's end of year accounts listed transactions of over 11 millions (Francois, 1899: 457).

That was not the only instance given of happy resource. Whatever demands arose, by some new and ingenious device Signor Luzzatti and his friends knew how to meet them. For long borrowing they invented the interest-bearing bonds for fixed terms (*buoni frutiferi a scadeza fissa*); for long lending, which the requirements of agriculture rendered imperative – a sore *crux* it was to Italian financiers – the *cartelle agrarie*. Both these things have become established institutions (Wolff, 1893: 144).

Despite its initial success and the considerable public profile that resulted from its intervention in a serious economic crisis, Luzzatti's *banca popolare* idea was slow to be copied in other towns and regions. This was largely as a result of existing Italian law which would not officially recognize any society with unlimited capital. Thus,

the 139 associations that were successfully set up in Italy between 1866 and 1880 styled themselves as joint-stock companies, and had to alter their 'limited' capital from year to year in order to comply with the law. The easing of this legislation after 1880 enabled Luzzatti and his now growing number of disciples and colleagues to set about the formation of more *banche popolari*, and increased cooperation between them, with unrestricted zeal. One particularly successful method that Luzzatti employed to increase the profile of fledgling *banche* was to freely and fully publish *all* details affecting the position of an association. It was his belief that its balance-sheet would serve as its brief of trustworthiness. And in this endeavour, Luzzatti was aided indirectly by the Italian government who decreed that every bank, cooperative or otherwise, would be required to submit monthly returns of its transactions which would be published in the official *Bullettino*.

Despite some 400 other unconnected communal and private savings banks operating relatively successfully throughout Italy, and notwithstanding the privileged small savings advantage granted to the Post Office Savings Banks (namely, an impost of 1½ per cent levied in their favour on other savings banks), Luzzatti's model stressed localization and decentralization. And through reputation – aided by the *Bullettino*'s statistics revealing how successfully *banche popolari* savings were consistently fed back into the community in which they operated, mainly through further increased loans and discounting of bills – by 1889, Luzzatti's model had cornered a full third of Italy's banking operations. Crucially, for Luzzatti and *banche popolari* members, the stress on localization and decentralization encouraged both formation and development as volunteers and members could see the potential and further benefits that a successful *banca* could bring to a local economy – in many cases bringing

commercial advantages into a town or parish it had never before enjoyed. Indeed, in Luzzatti's own region, Lombardy, *banche popolari* activities resulted in commercial and agricultural credit facilities being made much more widely available. In twenty years, commercial and agricultural credit went from being in the gift of a few formal banks in Milan to being available to *banche* members in Bergamo, Brescia, Cremona, Pavia and Lodi (Wolff, 1893: 148-150).

While the success of the growing *banche popolari* movement, and the benefits it offered local groups, often spoke for itself, Luzzatti remained loyal to his belief that the core values on which his idea rested were due to the continued practice among *banche* members of the 'capitalization of honesty' [*garanzie morali*]. This had two main facets: one, the continued regular and frank publication of balance sheets, capital accounts and so on, relating to each association; and two, the continued careful discrimination in the selection of members.

The best and safest guarantee of prosperity is the moral worth of the member. The very life of co-operation is bound up with the moral worth of members, and the more it is assured by strict guarantees, the more readily will money flow into our banks (Luzzatti, cited in Wolff, 1893: 144).

And, as previously mentioned, Luzzatti did not consider the moral worth of the very poor to be able to meet the challenge of *banche popolari*. As Francois (1899) says:

The stockholders of the banks belong to different classes of society, but it is the middle class that furnish the greatest number. The following classification refers to the years 1876 (77,340 members) and 1893 (405,341 members). It will be observed

that the number of members among the industrial and commercial classes has decreased [largest percentage of members: small manufacturers and tradesmen 25.25 per cent in 1893; down from 32.15 per cent in 1876); small farmers (up from 16.80 per cent in 1876 to 24.12 per cent in 1893); and employees, teachers and professional men (16.65 per cent in 1876 to 18.86 per cent in 1893)].

In contrast with the system in Germany, the Italian people's banks ask at their founding no assistance from the state, from provinces, communes or from individuals. They enjoy, however, certain privileges, common to all co-operative associations, viz., (1) exemption from the registration tax and from stamp duties imposed on the admission or withdrawal of stockholders ... ; (2) in the case of companies having a capital not exceeding 30,000 lire, exemption from stamp duties upon writs of execution during the first five years of their existence (law of Feb. 13, 1874); (3) exemption from the tax on transfer of shares where the capital does not exceed 50,000 lire (same law, art. 68); and (4) free publication of their reports in the joint-stock company bulletin (1899: 458-459;460).

Yet, it must be stressed that despite the exclusion of the very poor and unemployed, the *banche popolari* freely awarded credit to economic groups that the formal banks would have no dealings with – and certainly would not extend credit to in any circumstance. Secondly, many *banche* became involved in philanthropic activities over and above their day-to-day dealings. Perhaps the most important example of this came about in the aftermath of the river Po bursting its banks, swamping whole districts and devastating the economies of many small areas. In response, a number of *banche popolari* were handed over around 100,000 lire each from relief funds, which, as a result of their credit, actually translated to an average of 400,000 lire being distributed through each of the *banche* involved. And while these extra relief funds

were actually *loans* made by the *banche* to their relative local relief organizations, they nevertheless drew up repayment agreements to be spread over between 5 and 10 years.

The Casse Rurali

Alongside the development of Luzzatti's *banche*, Raiffeisen-inspired credit unions also sprang up in rural Italy – although their number and influence did not reach the levels achieved in Germany. Having long been impressed and influenced by the success and example of the Raiffeisen rural credit unions, Dr Léon Wollemborg founded the first *Cassa Rurale* (Country Bank) at Loreggia, Lombardy, in 1882. While there were differences in the Italian and German land systems, agricultural practice and development, the conditions experienced by the majority of Italian small farmers were every bit as miserable as those of their German counterparts. Apart from a relatively small number of skilled artisans who ran small holdings in parallel with their learned trades, most small farmers were forced to strive for humble harvests using antiquated implements, poor quality manures, and meagerly fed livestock that were more often than not owned by the usurer who had lent the farmer the money to purchase them in the first case. Exacerbating this state of affairs was a practice among a number of better-off peasants of lending moneys to poorer neighbours at extortionate interest – in effect, practising usury among their own community. Agricultural labourers fared little better, and could only hope to earn between 50 centesimi and 1½ lire per week in the fields owned by their local landlords or wealthier neighbours (Wolff, 1893:170-172). Wollemborg's philanthropic efforts

began in earnest after several bad harvests, drought and a spate of devastating vine disease. And his struggle to set up the first *cassa rurale* was strongly influenced by the fact that although a number of *banche popolari* were active in his region, none of the small farmers and peasants could afford their entrance fees or share costs. However, Luzzatti himself, while not amenable to the suggestion that the *banche* review their membership requirements, did offer – and give – practical help and advice in the setting up of the *casse*. Wollemborg set up the Boreggia *cassa rurale* largely from his own funds and credit. He had received a generous inheritance and drew upon his own ability to access formal credit by borrowing from local Savings Banks the money he needed to set up and run his rural bank – at least for a time. In June 1883, having secured thirty-two signed-up members, Wollemborg opened the first *cassa*. Membership grew modestly in the first three months of its existence, but a significant turning point came at the end of that first quarter's operations when the *cassa* reported to members that they owed just 1½ per cent on their loans. The reaction was unprecedented.

Incredulously [the members] brought their books back to the [*cassa*]; such a thing had never been heard of. When they found it to be correct all the same, the fame of their *cassa* spread abroad as on wings. The propaganda begun, the diffusion worked its own way. Here, there, the author of this new institution found himself summoned, sometimes by a landlord less indifferent than the rest, sometimes by the *sindaco* or the *curé*. And now ... the movement is advancing with 'élan', amid the plaudits of economists (Wolff, 1893: 174).

Like the Raiffeisen credit unions, the Italian country banks received no capital paid in by members. Rather, their obligations would be guaranteed by the unlimited joint

liability of the members. Similarly, each association would operate within a limited sphere – a small commune, village, or parish; would regulate the form, duration, and the maximum amount available for a single loan through annual general assemblies; and would ensure the indivisibility of the associations' capital formed by undivided profits and (where levied) entrance fees. Furthermore, like Raiffeisen, Wollemborg insisted that each applicant for membership would be required to supply proof of their integrity (most often through positive endorsement of their character by existing members and neighbours) (Francois, 1899:461). Moreover, Wollemborg was mindful of Raiffeisen's concern that ensuring full democratic control and accountability within each association necessitated active and continued involvement of members in the union's activities. And as many of the *casse rurali* were actually smaller and even less financially stable than many of the early German Raiffeisen credit unions, Wollemborg insisted that *all* members should attend *all* meetings whenever possible. Indeed, so convinced was he that this was vital that many *casse* would fine a member 50 centisimi for unexplained non-attendance. Furthermore, Wolff cites several commentators and researchers who point to a measurable increase in basic literacy among some of the poorest *casse* (and *banche*) members because of these associations' insistence that alongside positive endorsement of their character, any applicant must display the ability to write his name. As Rostand, a French economic commentator, reported in 1891,

The illiterate learn to write, in order to be admitted to the *cassa* ... because every member must be able to sign his Christian and surname.

... [T]he small co-operative institutions with unlimited liability possess, along with their practical utility manifest on the face of them, a social utility peculiarly worthy of

notice. Freed from usury, the peasantry have regained courage and confidence. They feel a love for and a pride in, their humble institutions of agricultural credit. They expel from them everyone who has the habit of living at the expense of others, or a taste for drink ... Members attend the meetings assiduously, and there follow all the proceedings, the granting of loans, the investment of funds, the progress of liberation with keen attention. The punctuation of payments is rigorously upheld ... We must confine ourselves to stating what deep impression this visit has left upon the mind of every one of us (Rostand, cited in Wolff, 1893: 178-183).

By the time the first edition of Wolff's text on the People's Banks went to press in 1893, he had recorded 930 People's Banks in Italy, of which 64 were Wollemborg *casse*. While these Italian associations could not boast the same number per population as their counterparts in Germany, the *Banca Popolare di Milano* had seen its capital and business far outstrip the largest Schulze-Delitzsch People's Bank (the *Creditverein* of Leipzig). For their part, the Wollemborg *casse* continued to operate as small rural-based associations, serving peasants and small farmers in their villages and parishes. And, indeed, the various *curés* of these parishes were not slow to recognize the efficacy of these small associations. Many of them lent support to fledgling *casse* and after 1891 the Italian Catholic church began to set up credit unions of their own. As Francois recorded in 1899,

Until 1891 the country banks were entirely secular, but after that date banks explicitly Catholic were founded. Although one may censure this proceeding on the ground that a bank has nothing to do with the religious sentiments and beliefs of those associated with it, though much to do with their honesty and solvency, yet it must be acknowledged that the results attained have been entirely different since the religious question has played a role. According to statistics given by M. G. Micheli, while

only 125 non-sectarian [Wollemborg] banks had been established up to 1897, the number of Catholic banks grew to 779 in the seven years 1891-1897. In certain dioceses especially, remarkable results have been attained. The eighty-seven dioceses of Brescia, Udine, Adria, Vincenze, Padove, Bergame, Verona and Trévisé have 452 country banks (1899:452).

While I could not locate any data to show the class and status of the Catholic country banks' memberships, their considerable proliferation (outstripping those based on the Wollemborg model) almost certainly owes much to the practice of established urban Catholic banks lending support and money to the associations springing up among their rural congregation. In the Wollemborg model, funding was only ever obtained from members' deposits. Despite their humble status, however, the Wollemborg *cashe* were among the very few Italian People's Banks to introduce 'loans upon honour', whereby, admittedly modest, loans would be granted with no security other than that of the borrower's personal promise.

Chapter 4

The Origins and Development of US Credit Unions

Introduction

This chapter examines the origins and development of the US credit union movement. Its early history is explored, from the first recorded examples of credit unions in North America up until the passing of the first federal Credit Union Act of 1934. The formation of credit unions among municipal employees in Manhattan provides the main analytical focus of the chapter, as this case study reveals many of the values, beliefs, and attitudes that many early US credit union members held – standards of behaviour, moreover, that were successfully encapsulated within the common bond aspect. Indeed, an analysis of the early history of US credit unions centred on the common bond, reveals important aspects of American *gemeinschaftlich*, *gesellschaftlich* and *bundlich* relations in the beginning of the twentieth century. The later sections of the chapter chart key characteristics of the movement's development and growth in the post-World War II period, highlighting a distinct shift in emphasis concerning the common bond aspect.

In New York in 1864, several unions of German craftsmen organized a city-wide association called the *Arbeiter-Bund*. Montgomery (1967), writing on the history of

organized labour in the US, reveals that this association of immigrant workers sought not to challenge the length of the working week, or strive through organization to achieve higher wages, as other workingmen's unions in the New World were struggling to do. Indeed, they sought no real solidarity with other similar associations at all, but rather, through their own cooperation, worked to establish a bank and a hospital, home-building societies, and producers' cooperatives. The association bought potatoes, tea, sugar and coffee at cost and would sell them to members at below retail prices. A \$200 death benefit was also provided. All these different aspects of this elective association's 'self-help' were arranged on strict Schulze-Delitzsch principles.

It is not known whether the activities of this elective association among German immigrant artisans became widely known to other associations and unions active within New York state at this time, but Moody & Fite¹ (1984) cite a *New York Times* article from 1869 which, reporting on the German People's Banks, concluded that 'nothing in the various trials of cooperation for the working classes throughout the world has been so successful' (1984:11). In Massachusetts in 1870, Samuel M. Quincy, a Boston attorney, and member of the General Court, attempted to introduce Schulze-Delitzsch societies into the state after having been influenced by his reading of a tract written by Schulze-Delitzsch a few years previously. Quincy translated several extracts of this tract into English and his nephew, Josiah Quincy, a member of the Massachusetts senate, presented his uncle's translation to the state's committee on banks and banking – with a recommendation that a state law be enacted permitting the

¹ As noted at the beginning of the previous chapter, Moody & Fite's text is the only published history of the US credit union movement. The authors did, however, have complete access to the archives of the Filene Research Institute at the University of Wisconsin, as well as the personal correspondence, diaries and memoirs of early US credit union activists held by the Bergengren Memorial Library.

incorporation of such banks. The February 1871 edition of the Massachusetts *Journal of the Senate* lent its support to the Quincy initiative and in the following year, a bill was prepared for passage through the legislature. However, before it could be enacted, Josiah Quincy, now chairman of the banks and banking committee, reported that the bill was unnecessary as he believed that credit unions could be set up under existing law. What transpired was a slight re-organization of an existing initiative, the Franklin Fund, which made small loans to young merchants on the security of their mortgages. Quincy's original proposed bill was thus set aside. Indeed, apart from the association organized among the German artisans of New York, the first true credit union set up in North America was in Levis, Quebec in 1900.

1. The Desjardins Caisses Populaires in Quebec

As a young journalist and editor of a provincial newspaper in Quebec, Alphonse Desjardins learned and wrote much concerning the economic and social problems borne by the citizens of his home city of Levis. Indeed, his concerns drew him to study economics and social sciences in greater depth, and his growing interest in political matters – especially the debate among Canadians concerning closer ties with the US versus national unification and centralization – led him to begin publication of the sessions of the Quebec parliament. He did this for eleven years until he joined the Hansard staff reporting on the debates of the House of Commons in Ottawa.

According to Moody & Fite (1984) it was during one such debate that Desjardins learned of the extent of usury among Canadians and resolved to attempt a remedy. His brother had already called his attention to an article about the Rochdale cooperatives and how, in Canada, such associations amounted to a few cooperative

bakeries and one or two cooperative stores. Desjardins began to research the European cooperatives and drew up a list of some of the key figures and exponents. In 1898, Desjardins wrote to Henry Wolff and began a correspondence which would last some years. He also contacted Charles Rayneri, director of the *Banque Populaire* of Menton, France and requested a number of brochures about popular banking in the country. Desjardins also wrote to other European cooperative leaders, including Luzzatti in Italy, and as his knowledge and feelings for these associations grew, he began to preach the gospel of cooperation at public meetings, through the press and in personal correspondence.

In 1900, Desjardins called together a number of his friends and associates to lay out his plan for a people's bank in Levis. From this meeting a small committee was set up to study the technical details of formation and operations. Between the times this committee met, Desjardins continued his correspondence to Europe and, importantly, decided upon two fundamental principles for the proposed Canadian association that differed from the prevailing practices in the Old World. Firstly, he became convinced that the dichotomy between urban and rural credit unions in Europe should not hold in Canada. He saw no reason why there could not be harmony between the characteristics of the *banque populaire* and the *caisse rural*.

... [I]n a country as new as ours the economic situation of the population groups differs essentially in certain areas with that which is encountered in the old country (Desjardins to Henry Wolff, Oct. 27, 1900, cited in Moody & Fite, 1984: 15).

Secondly, Desjardins rejected the Raiffeisen and Wollemborg stress on unlimited liability among members. He maintained that he would never have been able to draw

support for his idea if he had insisted on this principle, as, from his experience of various parliamentary debates, the French Canadian population was completely opposed to any notion of unlimited responsibility.

On December 6 1900, one hundred Levis citizens met to formally adopt the now completed constitution and bylaws of what would be known as *La Caisse Populaire de Levis*. The objectives of the *caisse* would be to encourage economy and financial responsibility among members; to promote Christian and humane values; to combat usury; to provide capital for local individual enterprises; and help borrowers achieve economic independence through self-help. The *caisse* opened for business on January 23, 1901. To become a member, the bylaws stipulated that any urban or rural resident of Levis would have to subscribe to a single five-dollar share, to be paid at the rate of ten cents per week. Alongside this, a small entrance fee would be levied and deposited into the society's reserve fund. Election to membership required the applicant to be judged honest, punctual in payments, sober, of 'good habits', industrious and 'labourous'. As with the European models, a committee of credit was responsible for approving or rejecting all loan applications – a member's character and record for financial responsibility being the paramount concern. Although, the *caisse*'s constitution ensured that smaller loan applications would always have priority for consideration. Indeed, the overall structure of the association paralleled that of the European examples and, like Raiffeisen and Luzzatti before him, Desjardins' belief that trust and reciprocity among the members provided his association with adequate security was borne out by its success.

In the first six years of its existence, *La Caisse Populaire de Levis* made loans totalling almost \$200,000 – with no record of serious default. As with the first, and subsequent, Raiffeisen credit unions, the *caisse* relied on the *gemeinschaftlich* social relations of its members.

The main security is the fact that the association is working within a small area and that everybody knows each other ... [A] second security is that everybody is interested by being a shareholder (Desjardins, [1914] *La Caisse Populaire* cited in Moody & Fite, 1984:17).

The practice of one member-one vote ensured that no single person, or small group, could exert an imbalance of power within the association - but Desjardins did allow for profit to be made by investors on loans. Reluctant, however, to use the term 'profit' in relation to these dividends, Desjardins referred to them as *boni*. And, certainly, these *boni* remained modest in amount. Of the \$5,800 profit made in the first six years, \$3,400 was diverted into the reserve fund, with only \$2,400 being distributed as *boni* between over 1,000 members. After its first successful six years, the *caisse* continued to attract further members and, thus, capital, and as a result, moved into bigger premises in the business district of Levis and hired a general manager. Moreover, alongside the steady growth of the Levis *caisse*, another was organized in the neighbouring rural parish of Saint Joseph de Levis, and a third was established in 1905 at Saint Malo near Quebec.

Anxious to give his idea legal status, Desjardins used his connections within the Quebec legislature to encourage the passage of an enabling Act. This was achieved in 1906, when the Quebec Syndicates Act was passed unanimously. However,

Desjardins was less successful in the Canadian House of Commons. Despite vocal support from Earl Gray, the governor general, and lengthy testimony to a parliamentary committee, a bill modeled on the Quebec Act failed despite two readings in subsequent sessions. Nevertheless, the *caisses populaires* continued to grow: three were organized in 1907; eleven in 1908; and fifteen in 1909. Indeed, by 1914, there were 150 *caisses* active throughout Canada serving urban workers, farmers and miners.

Having seen his idea become a reality, and bolstered by its success, Desjardins continued to promote cooperative credit – not least in the northern US. His credit societies were known in certain states, but no duplication of his idea was attempted before 1907. For his part, Desjardins was willing to assist the establishment of credit unions, but insisted that the leadership would have to come from among the Americans who sought to take up the idea. Such a leader would emerge from the US around this time and come to be regarded as the ‘grandfather’ of the credit union movement there. Indeed, from his early work and the efforts of a few like-minded contemporaries, this leader would begin a process of credit union promotion and formation that lay the foundations for the most successful and most widely copied credit union model the capitalist West has ever seen.

2. Edward Filene

Born to successful German immigrants, Edward Filene was educated in his home state of Massachusetts and in a Bavarian boy’s school, close to his mother’s

birthplace. Despite achieving a place at Harvard, Filene entered the Boston family business at eighteen due to his father's failing health. William Filene had opened a clothing store shortly after having settled in Boston in 1856, and by the time his second son, Edward, had joined the store, Filene had presided over the extension of his business into Lynn, Salem and Bath. Edward was quick to learn the aspects of business pertinent to a retailer and by 1881 had centralized the family business into one large Boston store. By the end of that decade, the William Filene's Son's Company had become one of the prominent business establishments in Boston. Filene's skill as a storeowner lay in his clever merchandizing practices – most especially in his constant stress on providing, and advertising, full value for money. He was also an enlightened employer, offering higher than average wages and providing employee benefits that were some way ahead of their time. These included: several employee lounges around the store, a staff cafeteria, a savings and loans association, paid holidays and free healthcare. Filene also encouraged a staff 'union' which was invited to contribute towards the setting of working hours and the determination of holidays.

Filene was, by all accounts, a shy, rather lonely man. Carrying a pronounced limp in his gait following a childhood accident, he also suffered bouts of untreatable chronic acne and would avoid company whenever it flared up. A lifelong bachelor, and despite his growing prosperity, Filene lived simply and rather frugally – rarely allowing himself the indulgences his position could afford. He did however begin to realize his desire for travel. In the mid-1880s, he began the first of many trips to Europe where he would purchase merchandize and study European business practices. Moreover, he began to take a keen interest in wider issues concerning European

society and its problems, and took to studying International Economy. Increasingly, Filene's trips became fact-finding missions and as well as visiting a number of foreign officials while abroad, he corresponded with a number of American leaders and international figures while in Boston. These included: Woodrow Wilson, Georges Clémenceau, Aristide Briand, Ramsay MacDonald, Lenin, Gandhi and Theodore Roosevelt.

A lapsed Jew, Filene sought a humanitarian creed for social morality and economics which led him to read Law, Owen, Smith and Ricardo. He joined the Liberal Club in the 1890s and attended lectures given by John Dewey, among others. And for many years he visited the summer conferences at Greenacres, New Hampshire, where speakers discussed the moral and philosophical concerns of the day. From his diaries, letters and papers, Moody & Fite (1984) reveal that Filene's increased involvement and interest in wider social and economic issues convinced him that individual acts of philanthropy or charity would and could not solve the problems of poverty, disease and social distress. And it was from these convictions that Filene resolved to seek enlightenment through travel once more. But this time he made plans to journey far wider than he had done before and with a specific goal – to study many different forms of cooperative credit active around the world.

From the diary he kept of this journey ("Trip Around the World: Edward A. Filene, 1907"), the visit that had the most profound effect on him was the one he made to India. Specifically, the time he spent among the peasant villagers of Bengal. On his arrival, Filene made contact with William Gourlay, a Cambridge graduate and member of the Indian Civil Service, who was responsible for the setting up of

cooperative societies among villagers in the province. Filene and Gourlay spent several weeks visiting different villages and districts, and like many newcomers to India, Filene was astounded by the depth of poverty he saw there. Yet, his diary also reveals his admiration for the Bengali peasant whom Filene saw as the honest and hard-working victim of an exploitative system. Filene was also impressed by Gourlay's attempts to set up Agricultural Cooperative Banks which had arisen from the efforts of Gourlay and others to persuade groups of villagers to form associations to receive their meagre savings. Moody & Fite do not reveal how this initiative came about, but do mention that the British government had agreed to lend each association a sum equal to that deposited by the members – thereby allowing them to award 5 to 25 rupee loans to each other. The success of some of these associations impressed Filene greatly – especially the fact that unpaid volunteer officers, elected from among the villagers themselves, ran the vast majority of the associations' activities.

From Bengal, Filene moved on to the Philippines where he encountered similar poverty but a paralyzed initiative for agricultural banks. Under Philippine law, no institution could lend money unless the borrower held some sort of land title, thus eliminating at a stroke hundreds of thousands of peasants who could potentially benefit from a system like the one he had witnessed in India. However, on his return to the US Filene did not initially seek to translate the cooperative credit systems he had seen into a similar model for the American poor. Instead, he set about seeking to persuade Roosevelt to introduce the Anglo/Indian agricultural banking system into the Philippines. After receiving initial interest from Theodore Roosevelt about his travels and experiences, Filene prepared a presentation for the President and offered to visit Washington to deliver it in person. However, Roosevelt's interest soon waned and

Filene never received an invitation to the White House. Yet, Filene's increasing passion for cooperative credit did not, at least initially, resolve him to attempt the setting up of a credit union model in his home state of Massachusetts. Indeed, the first work in this regard was actually carried out by another Bostonian who had at that time never met Filene nor been aware of his interests.

3. Pierre Jay

In a letter he wrote to Alphonse Desjardins in 1907, Pierre Jay, the recently-appointed First Commissioner of Banks for Massachusetts, recounted the time he had been browsing in the Boston Public Library for something to read on the train journey from the state capital to his suburban home. On one of the shelves he found a copy of Wolff's *People's Banks* (1893) and being inspired by what he read, sought to discover more about credit unions and their activities. The only other written evidence of credit unionism he initially found was a copy of the Italian *Bulletino*, which, as mentioned in the excursus to Chapter 3, described the work of the *Banca Popolare di Milano*. However, as a result of further inquiries, Jay learned of Desjardins' efforts in establishing the *Caisse Populaire de Levis* – hence his letter. Not only did Desjardins supply Jay with further literature on cooperative banking, but also put him in contact with many of the leading figures of the European movement. As his awareness and knowledge increased, what impressed Jay most of all concerning credit unions was their considerable success in releasing members from crippling usury and the grip of extortionate loan companies.

Many among the poorer classes were forced to borrow from pawnbrokers, and from moneylenders known as 'note-shavers'. To avoid prosecution for usury, note-shavers loaned money on notes which bore the legal rate of interest but added fees for expenses and services which greatly enhanced the interest rate. Small loan companies, which first appeared in Chicago in 1870, supplied another source of extremely high-priced credit. They often charged interest rates ranging from 6 to 40 per cent a month, and became known as 'Shylocks' who foreclosed on mortgages and garnished wages. The term *loanshark* had come to be associated with all of those who charged excessive interest rates. There had been some experiments with so-called philanthropic and charitable loan societies, and a few employees, but these well-meaning efforts had not met the felt need of the vast majority of moderate and low income families (Gilbert, D. J. *et al* [1932] *Small Loan Legislation*, cited in Moody & Fite, 1984: 47).

Jay and Desjardins met for the first time in Ottawa in 1908 and from this meeting Jay resolved to use his position in order to spread knowledge of credit unions in Massachusetts and, if possible, to other states. It was during these efforts that Jay learned of Filene and his interests, and in November of that year Desjardins went to Boston to meet with Jay and six other 'public-spirited citizens' – including Filene. From Desjardins' knowledge of credit unions and his first-hand experiences of setting up the *Levis caisse*, the Boston group decided to begin a process of drawing up a framework around which positive legislation might be achieved. To this end, Jay contacted 150 major manufacturers in the state inquiring whether they had set up, or were aware of, agencies that 'accept small deposits from their employees and allow interest thereon in order to encourage them to save', other than legally chartered banks or trust companies. Jay did not receive many responses from these large

employers, but from those who did reply he learned of a few store-run deposit schemes whereby customers could make modest savings (usually for purchases) with 4 per cent interest paid by the store; eight cases of manufacturers and large employers receiving small deposits from employees and awarding slight interest; and five cases of employee-administered 'savings and loans' associations among staff of the firm. From other inquiries, Jay also learned of a number of stamp and school savings plans operating principally among children. From this research, Jay included a section in his official annual Bank Commissioner's report, entitled 'Unauthorized Banking', setting out his findings and especially focusing on the Globe Savings and Loans Association. Set up in 1892 amongst the employees of the *Boston Globe*, this highly successful association had freed all its members from 'note shavers' and 'loansharks', as well as removing the task of handling wage assignments from the proprietor. When Jay discovered its existence in 1909, the association had loaned its members over \$45,000, usually in amounts ranging from a dollar to \$25. Out of 600 employees, 444 were members, and they had deposits of \$53,319 in the association.

Jay concluded in his report that the existence and success of the *Boston Globe Savings and Loans*, showed that American workers had real need of loans and access to favourable saving arrangements that was simply not being supplied by the existing banking institutions. And, more importantly, the example at the *Boston Globe* revealed that a system of credit union could be successful and safeguard its members from sliding into the clutches of usury. The Massachusetts Banking Committee were convinced, and recommended that Jay draft a bill. For his part, Filene wrote to his senator endorsing Jay's efforts and his proposed bill. And, after a smooth passage

through the mechanics of the legislative process, the Massachusetts Credit Union Act became law on April 15 1909.

4. The Values of Early North American Credit Unions

Despite the enabling legislation, however, the formation of new credit unions moved along at a modest, staggered pace. Desjardins kept up his promotional work but as a single apostle he could only seek and talk to small groups of interested citizens within a relatively limited geographical area. Jay had taken up a new post in New York, and Filene continued his wider programme of more general social reform, of which credit union formation was but one aspect. Nevertheless, the model of credit union formation and development laid out in the Massachusetts Law was to remain the blueprint of all future credit union formation in the U.S.

Credit unions would be defined in law as 'a cooperative association formed for the purpose of promoting thrift among its members' (Moody & Fite, 1984:34). Once incorporated, a credit union could receive the savings of members in the form of purchased shares or deposits, and make loans. The bylaws of each society would usually require members to pay a small entrance fee and buy one five-dollar share of stock to be paid for in installments. Credit unions would be governed democratically with each member entitled to only one vote regardless of the number of shares owned. The members would elect a board of directors, which in turn would choose a president and other officers. Members would also elect a credit committee and a supervisory committee. The credit committee would approve all loans which must be

for 'useful' and 'beneficial' purposes. Neither the directors nor the members of the committees would receive compensation for their duties.

In 1910 only two credit unions were formed in Massachusetts, and both these were as a direct consequences of Desjardins' efforts. In the following year, some 17 more credit unions were formed, many of these assisted by the Boston Chamber of Commerce. Nine more were opened in 1912. However, there were some very important issues and developments played out among the 34 recorded Massachusetts credit unions between 1909-1913. The first of these involves the formation of the first 'live and work' credit unions – the model that has come to dominate the US credit union movement. Moody & Fite see the nucleus of this idea growing out of discussions concerning strategies for further credit union growth held between Desjardins, Filene and John Plaisted, chairman of the Boston Chamber of Commerce. Plaisted explained to Filene and Desjardins that he knew of 100 Italians keen to set up a credit union – some of whom were ready to take on the posts of organizers and administrators because of their experience of the *banca popolare* and *casse rurale* in their native Italy. This convinced Plaisted that it was within communities and neighbourhoods where credit unions would find fertile ground. For his part, Desjardins had been directly involved in the formation of a credit union in Boston which had adopted a much wider charter, enabling it to sign up members from both city residents and those working in the greater Boston area. The *Industrial Credit Union*, sponsored by the Women's Educational and Industrial Union of Boston, was the first US credit union that actively sought to attract a heterogeneous cosmopolitan membership. Nevertheless, it would only be women and men of known 'honesty' and 'industry' that would be considered for membership. Indeed, a common thread

through all the credit union activities within the state was the belief that personal knowledge of the character of the members was essential.

This strict adherence to the notion of a shared common bond existing among the credit unions that sprang up in the cradle of the US movement, is presented by Moody & Fite (1984) as reflecting the particular concerns and the issues faced by these early cooperative pioneers. The issue of usury was undoubtedly a major factor in the adoption of the idea by the various groups. Indeed, certain credit unions would explicitly refer to this in their constitution. One considered its chief aim to be to 'get members on a cash basis by paying up all indebtedness'. Others, once sure that their efforts had enabled many of their members to wrench themselves free from the 'noteshavers' and 'loansharks', began to make loans for the buying of tools or to help a member begin a business. Whether loans or savings, each credit union held to the general view that their associations existed for the welfare of the members – crucially, helping them stay out of the clutches of 'loansharks' and, moreover, 'all other lending corporations organized for their own selfish profit' (1984: 39).

Indeed, in all the 'high hopes and false starts' that Moody & Fite depict as characterizing the fledgling movement in the decade from 1910 (pp. 33-54), the emphasis is one of 'practical' answers to the burden of usury among existing and potential members. Filene himself is quoted as stating that a crucial role for credit unionism would be its ability to 'educate people in the ways of economy' (p. 37). Adherence to a common bond based on personal knowledge of the activities and reputation of a potential member is not addressed directly. Rather, it is the founding fathers' attempts to foster 'a spirit of cooperation' within and between credit unions

that is highlighted. Their obvious doggedness and seemingly tireless enthusiasm for the credit union idea is rightly revealed, and the considerable organizational and political skill that Filene, Desjardins and others displayed is unquestionable. As a history written from the perspective of the subject of that very history, Moody & Fite's account champions Filene and others as 'missionaries', struggling to spread their idea among American workers – many of whom were suspicious of new financial ventures – and seeking to convince county and state authorities of the efficacy of the credit union system. A cooperative system which, in the words of one Boston commentator they cite, should be 'everybody's business' (1984:46). Moody & Fite take pains to stress that the early leaders of the movement were conservative, 'businesslike' (1984:55). Speaking to the *Boston Post* in 1914, Filene spoke of why, as an employer, he so valued the workplace credit union:

It is for the employer's interest as well as the employee's, because instead of having his workmen harassed by loan agents, he gets workmen, who, if they have to borrow in some emergency, borrow among the men with whom they are working and who will help them get on their feet and keep steady (1984: 55).

And, speaking to the Louisville, Kentucky, Board of Trade in 1922:

Emergencies require savings or else class dissatisfaction follows. Groups of savers operate as schools to teach persons who have little that there is nothing essentially wrong in the possession of property (1984:62).

In general, the US credit union movement's official history presents its genesis within a framework of values such as 'practical cooperation' and 'thrift'. At no stage do

Moody & Fite present a distinct ideology as lying behind the movement's beginnings. Rather, the emphasis is always one of 'pragmatism'; of 'rational' answers to practical problems. Indeed, this self-image was revealed to the author in a face-to-face interview with the American head of the Association of British Credit Unions (interview, 20 August 1999). In the context of a discussion concerning recent problems in the attempts to set up credit unions in England, Mr Swoboda expressed bafflement at why so many British credit union volunteers and organizers seemed to hold such strong beliefs in the importance of the common bond aspect of credit unionism. As is laid out in greater detail in the following chapter, Mr Swoboda told the author that the 'common bond' had always been a purely practical tool in successful US credit union development and activities.

However, a far more complex but revealing picture emerges when one begins to direct one's analysis to looking *behind* the outward façade presented through the US movement's self-published history and the views of organizers such as ABCUL's director, whose personal involvement in credit unionism began as a law undergraduate in the US movement's research and training institute affiliated to the University of Wisconsin. Whilst to the early pioneers and the subsequent generations of volunteers and members, American credit unionism may be self-evident as an informal and practical example of economic cooperation providing mutual benefits to the members and their local community, what can be discovered, for example, when one seeks to locate American credit unionism within a framework of our knowledge concerning American values and their connection with the notion of an American character?

5. The Formation of Credit Unions in New York City 1914-1934

Lipset's (1964) erudite historical and comparative study into the 'first new nation', provides a particularly informed account of the processes of egalitarianism as an explicit part of the revolt against the traditions of the Old World, which occurred alongside the continuing emphasis upon individual success and hard work that had long been a part of the Protestant ethic (1964:61-98). Yet, despite the increasing amount of social analysis which maintained that a modification in the American values of equality and achievement had occurred as a direct result of the increasing industrialization, urbanization, and bureaucratization of American society – undergoing apparent important shifts during both the 1930s and 1950s – Lipset's reading of the historical record leads him to conclude that more continuity than change resides in the main elements of the national value system (1964:101-139):

Basic alterations of social character or values are rarely produced by change in the means of production, distribution, and exchange alone. Rather, as a society becomes more complex, its institutional arrangements make adjustments to new conditions within the framework of a dominant value system. In turn, the new institutional patterns may affect the socialization process which, from infancy upward, instills fundamental character traits. Through such a process, changes in the dominant value system develop slowly – or not at all. There are constant efforts to fit the 'new' technological world into the social patterns of the old, familiar world (1964:103).

One particular aspect of this process that Lipset points to is the very emphasis that the American national character places on equality of opportunity (and with it, the

constant challenging of any pretensions to permanent high status), which has made Americans in all social positions extremely sensitive to the opinions of others – causing potential anxiety among individuals about the behaviour and characteristics indicative of rank (1964:114-117). Especially drawing on Max Weber, John Brooks and the German historian, Francis Grund, Lipset reveals the long-term development of a peculiar American psychology of keeping up with one's neighbours, and of regarding solitude and independence as a little eccentric, if not dangerous.

This habit of conforming to each other's opinions, and the penalty set upon every transgression of that kind, are sufficient to prevent a man from wearing a coat cut in a different fashion, or a shirt collar no longer *à la mode*, or, in fact, to do, say, or appear anything which could render him unpopular among a certain set. In no other place, I believe, is there such a stress laid upon 'saving appearances' (Lipset, 1964:116).

In a recent study, Barron (1998) explains the dominant societal attitudes surrounding the borrowing of money during the period under study. Very different from the consumerism of the late-twentieth century, at this time it was widely assumed that an individual would only borrow money to pay for a necessity of life. Both formal and illegal loans were made for a fixed term at a fixed rate of interest, and all principal and interest due had to be repaid on the day that the loan expired. Both political and scholarly opinion reflected these attitudes, and indeed many were opposed to any form of consumer lending. While more contemporary economic thought considers it perfectly 'rational' to prefer a lower income in the future in return for an increased income today, this was considered distinctly 'irrational' in the period under study. Rather, it was expected that people should save from current income in order to purchase goods or services in the future. As an illustration, Barron cites Professor

T.N. Carver, widely regarded at that time as an authority on the economic theory of credit, from an article he wrote for a 1914 issue of the *Farmer's Bulletin*:

It is undoubtedly a bad practice for men to borrow money with which to buy articles for consumption, except in the most extreme cases ... If they had been able to accumulate [savings] before, they would not have needed money. The fact that they had not been able to accumulate anything before would be pretty conclusive proof that they would not be able to accumulate enough to pay the debt (Carver, cited in Barron, 1998:212) [addition in original]

This dominant standard of personal economic behaviour was reflected even amongst many firms whose development into mass-production had seen them adopt installment credit as a means of encouraging increased consumption of their products in the marketplace. Notably among these was the Ford Motor Company, who, in an advertisement for their cars in 1926, stated that:

Despite confusion, in the minds of many, of extravagance with progress, a vast majority [of the American people] cling to the old-fashioned idea of living within their incomes. From these came and are coming the millions of Ford owners (Barron 1998: 216) [addition in original].

For the municipal employees of New York, the strict taboo associated with the borrowing of money, coupled with the tangible fear that people felt of their colleagues and neighbours discovering that they transgressed the strict value placed upon living within one's income, contributed to a particularly acute problem of usury in the city. Indeed, the Assistant District Attorney, Franklin Brooks, told the *New York Times* (3

October 1912) that New York municipal employees alone were handing over an estimated \$20 million per year to the 150 known 'loansharks' operating in the city. Despite often being faced with either borrowing from the 'loansharks' or going without medical treatment, the vast majority of employees made no complaint against rates of interest that could be as high as 700 per cent. Indeed, such was the strength of the taboo, that many would take pains to ensure that no one discovered that they had borrowed money at all. As the Russell Sage Foundation reported in 1935, it was common practice among employers at this time to dismiss any employee who was found to have borrowed money from a 'loanshark', on the grounds that such a person could not be a responsible worker (1998:213; 215).

From searches of the *New York Times* index, Barron discovers major upsurges in anti-loan shark initiatives in New York between 1913 and 1928 – most notably among these, the encouragement of the organizing of Morris Plan Banks and credit unions in the city. Morris Plan Banks were the creation of Arthur J. Morris, a Virginia lawyer, who had spent time studying people's banks in Europe. Fifty-six cities of the South and East US had Morris Banks operating in 1915, and between them had loaned over \$23 million. Their success was due to the fact that they offered small loans at lower rates than many could hope to find elsewhere, but they were actually private banking operations that sought to extend the supply of *consumer* credit. Nevertheless, the Morris Plan Banks achieved a tangible degree of success in New York and, as Barron discovered, they received more positive endorsements of their anti-'loanshark' principles in the pages of the *New York Times*, than did the credit unions. This, Barron believes, probably stemmed from the fact of the Morris Banks' greater visibility, in that each example was initially set up with funds from a group of

investors who would receive interest on their investments once the Bank was up and running. With these early investments, Morris Banks could often acquire shop-front premises and pay for advertising. Not surprisingly therefore the largest New York Morris Bank was considerably bigger in size than the largest credit union then operating.

Just as the recently-formed, Filene-financed Credit Union National Extension Bureau (CUNEB) could claim in its promotional magazine, *The Bridge*, so the Morris Banks could claim that borrowing from them held no shame, since they operated, not as a charity, but on sound business principles. Indeed, being accepted as a borrower was actual evidence of a person's good character, since they had been assessed as being likely to repay the debt. And, like the credit unions, the Morris Banks stressed the requirements of a loan centred on 'character, industry, and frugality'. However, there was no joint campaign conducted by the two credit associations. Indeed, Desjardins is argued to echo the view of all the leading credit union activists, when he dismissed the Morris Plan Banks as 'nothing but a huge money-making concern devised to insure to the promoters a good business proposition, at the expense of the public' (cited in Moody and Fite 1984:47). To the credit union movement, as a private banking operation supplying credit for non-essential purposes, the Morris Banks were purely a commercial enterprise sailing under false colours.

Furthermore, CUNEB could also present the credit union idea to the many people who considered that any recourse to a 'loanshark' spoke ill of the borrower – especially so if the loan was taken for any other reason than utter necessity (Barron finds several *New York Times* editorials in this vein). After all, credit union

constitutions enshrined the notion that loans should only be awarded for 'provident' purposes – as judged by fellow members. Moreover, with their stress on facilitating regular saving, credit unions actively encouraged thrift among members. Thus, the American worker could join a credit union without any fear of loss of self-respect. He would be borrowing from his colleagues, friends or neighbours and this mutual cooperation could enable people to join without fearing a loss of 'appearances'. The emphasis on saving as well as on loans also could be reconciled with the dominant attitude that any money borrowed could often not be repaid. As mentioned, in a credit union, decisions on the awarding of loans were taken by the members themselves, with each member's character and ability to pay taken into account. Thus, the granting of a loan was evidence of the borrower's good character, whilst any default would be obvious to other members. Regular saving encouraged thrift and advocates could also point to the educative potential of credit unions as a practical and beneficial system for teaching the American worker the values of prudent finance. Whilst at the same time freeing them from the burden of illegal debts and enabling them to use loans as a productive way of increasing their prosperity. In short, the credit union idea was shown as being a cooperative credit system that people could join without fear of loss of reputation or stigma, could educate them in prudent finances, and would enable them to borrow from their credit union in order to make cash purchases without having to suffer the unease and uncertainty of taking on formal instalment arrangements, or falling into the hands of usurers.

In the decade from its inception in 1915, the City of New York credit union, made up of many of the municipal employees who had been so weighed down by illegal debt, grew to a membership of over 10,000 with assets of more than \$1,000,000

(Bergengren, 1927). A similar project was also initiated among 1200 Boston City employees in 1915 – inspired by the New York initiative. And, in 1925 it could boast 1,738 members with assets nearing \$150,000 (1927:730). By 1927, partly through various enabling state Bills and the continued and expanding work of the CUNEB, there were credit unions active in 24 States – the idea having extended down the eastern sea board, into the Midwest, as far west as Utah and as far south as Texas (1927:733). These credit unions ranged from bigger, urban examples lending at low rates and yet able to pay their members dividends from collective interest, to smaller rural examples making loans at even lower rates, ignoring dividends in favour of the Raiffeisen-inspired system of building up a reserve (referred to in Chapter 2). And, at this stage of its development, the US credit union movement continually emphasized the fact that its idea spoke directly to the values of American working people, and, moreover to the widely-held belief that selling on credit was not only irresponsible but also ‘irrational’. As Roy Bergengren, Filene’s Executive Secretary at CUNEB, could boast to the *International Labour Review* in 1927:

Reference has been made on many occasions to the fact that the practice of selling on credit is a menace both to the free disposal of wages and to the independence and dignity of the wage earner ... The aim of sound credit, in so far as it may be considered indispensable, should be, not to tempt the consumer to make unnecessary purchases by offering facilities, but to make possible some necessary purchase with a view to which he has already made endeavours to save. Moreover, credit will be characterized by sincerity if it is organized, not by the sellers or on their behalf, but by the purchasers – for their own purposes and under their control ... [The credit union system] has been described as the installment plan in reverse – saving by installments to make cash buying possible (1927:709).

6. Observations

What is striking about the early US credit union movement is its apparent ability to hold within its working principles both a means whereby to provide indispensable credit to those on lower incomes – and an educative function in terms of the prevailing economic orthodoxy. While at the same time allowing members to enjoy the benefits of low rate loans without suffering the stigma and loss of face commonly associated with the recognition by one's neighbours and friends that one was unable to live within one's means.

Furthermore, we can see how these early credit unions reflected the interplay and tension between important aspects of wider US *gemeinschaftlich*, *gesellschaftlich* and *bundlich* social relations. On the one hand, Barron points to the strict standards of behaviour and taboos surrounding the borrowing of money and debt, whilst Lipset's research reveals that the American emphasis on equalitarianism as a dominant value fostered and determined three closely related processes: competition, status uncertainty, and conformity. And as this equalitarianism fostered competition for status, so the two values of equality and achievement resulted in an amorphous social structure in which individuals were continually uncertain about their social position. Moreover,

[s]tatus-striving and the resultant conformism have not been limited solely, or even primarily, to the more well-to-do classes in American society ... Smuts notes that visitors at the turn of this century were struck by 'what they regarded as the spend-thrift pattern of the American worker's life'; Paul Bourget, a French observer, interpreted this behaviour as reflecting 'the profound feeling of equality [in America which] urges them to make a show.' As Werner Sombart, the German sociologist and economist, put it, 'since all are seeking success ... everyone is forced into a struggle to beat every other individual; and a steeple-chase begins ... that differs from all other races in that the goal is not fixed but constantly moves even further away from the runners.' And in an equalitarian democracy 'the universal striving for success [becomes a major cause of] ... the worker's extravagance, for, as Münsterberg [a German psychologist] pointed out, the ability to spend was the only public sign of success at earning' (Lipset, 1963:113-114) [additions in original]

In the elective association of a credit union, a member could reconcile both the individualism *and* conformism that so many analysts of American society have pointed to as the conflicting yet co-existing tendencies born of the same structural processes. On the one hand, a member could borrow money in order to rid themselves of crippling debt, or to contribute to their ability to spend and thus to their sense of individual achievement, yet on the other hand could do so without increasing their sensitivity to the judgement of others. Their individual status confirmed, or even increased, through a successful application for membership, any subsequent loan also carried the positive endorsement of their fellow members in respect of their frugality and the 'provident' nature of the loan.

The *bundlich* nature of individual credit unions is revealed in the early movement's rule that along with the subscription to at least a single share of the capital stock of the credit union (often charged at just one dollar), the other key determination of membership was 'identity with the group in question' (Bergengren, 1927:723). 'No one outside the group', stressed Bergengren, 'has anything at all to do with [the credit union] directly or indirectly' (*ibid.*) [my addition]. As a keen advocate of co-operative principles and eager to spread the credit union idea among urban industrial workers, Bergengren could tell the readership of *International Labour Review* that,

[t]o understand the credit union it is only necessary to read the fable of the bundle of sticks. Because credit unions are managed by workers they approach the workers' credit problem with understanding. The credit union, for example, develops for the member negotiable assets, thereby simplifying his credit problem by creating security ... Assume, however, that a prospective borrower is a member of the group from which the credit union is recruited, but not a member of the credit union. He will not be rejected immediately because he is not a member ... If the Directors are satisfied with his character, he will be admitted to membership and may then apply for credit. His case will be considered by the Credit Committee in the same fashion as if his holdings were material. On the other hand, the fact that his holdings are not material has a bearing on the terms on which credit will be extended to him ... but if there is any way in which the applicant can be assisted, consistent with the safe investment of the funds of the credit union, such credit assistance will be afforded him. In innumerable instances credit unions extend credit to members who have just joined and are without any holdings of importance in the credit union (1927:734-735).

Yet, in another section of his article and keen to show the success of the US credit unions in general, Bergengren implicitly reveals the more general *bundlich* aspects of

American credit unionism at this time when referring to successful examples such as the 'community' credit union in Central Falls, Rhode Island; the Catholic parish credit union in New Hampshire; a credit union of 'Scandinavians' [sic] in Massachusetts; and the employee credit union at the New England Telephone and Telegraph Company (1927:733). And with an echo of the Raiffeisen system,

[t]he development in North Carolina, particularly retarded by the war and the post-war deflation, has been primarily rural and concerned with small farmers who have been helped materially by the credit unions of that State, particularly by the promotion of co-operative buying of farm supplies and machinery (1927:732).

Indeed, from the examples mentioned above, we can see the spread of credit unions among both urban and rural populations, city employees and the self-employed of small towns, among parish members and other faiths, immigrant groups, and community dwellers. And despite the heterogeneity of the overall membership base, just as with the Raiffeisen system, the common bond aspect was of crucial significance to the early US credit union movement.

7. The Developing US Credit Union Movement of the 1930s

Moreover, despite some failures and an understandable weakening of the capital structure of many credit unions during the Great Depression of the thirties, the movement continued to grow. This was partly due to the poor record of other

financial institutions and the losses they inflicted on millions of people. Bergengren kept figures on bank failures and recorded nearly 4000 banks suspending operations in 1931 and 1932 (Moody & Fite, 1984: 102). It came as some surprise to him, therefore, when upon receiving figures on credit union formation he discovered that in December of 1931 while 512 banks had closed across the US, 32 new credit unions had been set up. Indeed, in a study conducted for the US Bureau of Labor Statistics, the development of credit unions was shown as steadily increasing as the Depression continued. In 1927, 26 credit unions were established; in 1928, 112; in 1929, 88; in 1930, 96; in 1931, 102; in 1932, 184; and in 1933; 289 (*International Labour Review*, 1935:239). The Great Depression can certainly be argued to have helped the credit union movement by stimulating the cooperative ideal in the US. As the depression deepened with its industrial stagnation, bank failures, and widespread unemployment, the competitive system generally came under attack.

The economic crash at the end of the 1920s drastically altered the tone of American thought by making the formulations of the decade appear flippant and even heartless. Early in the 1930s, Carl Becker, discussing with a student the difficulty of getting a job during the depression, asked him 'with ironic intent' what he thought of liberty as a concept. The student replied, with an irony more harsh than that of Becker: 'I've never been through it; I don't drive a car.' Economic necessity was uppermost; at least let answers be found to some of its urgent pressures. So, not surprisingly, there was a return to the consideration of social questions (Cunliffe, in Welland, 1974: 497).

And as Lipset says:

The depression of the 1930s inclined intellectuals toward an equalitarian radicalism, which condemned capitalism and achievement orientation as the sources of evils. [Even conservatives were] led to emphasize the growth of inequality and the restriction of opportunity (Lipset, 1964:125).

CUNEB was quick to capitalize on this shift in attitudes and Bergengren especially sought to widen the bureau's activities and scope. To this end, he set about the formation of State and regional 'leagues' of credit unions, which were aimed at being financially self-sustaining and able to carry on a full range of organizational, legislative and auxiliary services. These wider associations remained mostly 'paper leagues' until the post-Second World War period, but they were the basis for the implementation of a true national association of credit unions. Indeed, it was during the Great Depression when the fledgling movement began to develop a sense of identity as a movement. Bergengren was again instrumental in this by encouraging Filene to visit a number of cities across the Midwest, partly as a means of encouraging the existing credit unions through the hard times, but also to promote the idea to potential audiences. During January 1933, Filene gave thirty-three speeches across the Midwest, addressing credit unions, business organizations, student and faculty gatherings, labour, church and farming groups – as well as giving several radio broadcasts. Filene's talks were particularly successful in respect of the credit unions he visited, and it is from this initiative that he became more widely regarded as the 'father' of the US credit union movement.

As well as being a good opportunity to spread knowledge of the idea, Filene's tour can be seen as the beginning of the US movement proper, and through the media coverage and by word of mouth, the growing movement was able to recognize itself

as such – with a charismatic leader at its head. It is also interesting to note that a further development in US credit unionism had its roots in this period. Namely, through his concern for many different aspects of social welfare and, importantly, his belief that the entire capitalist system was under threat, Filene began encouraging credit union members to borrow in order to buy *consumer* goods (Moody & Fite, 1984: 93-110). Writing in 1930, he stated:

Consumption must be financed if there is to be general prosperity (1984:102).

Throughout the Thirties, Filene continued to advocate that credit unions should concentrate on awarding short-term consumer loans rather than long-term credit on such things as real estate mortgages. Indeed, he viewed credit unions as one of the props of the ‘new capitalism’, and believed they had an important role to play in stimulating consumer buying power (Moody & Fite, 1984:110). Yet, others in the movement – Bergengren chief among them – were convinced that the passing of a Federal Credit Union Act was the prime goal for the future of US credit unions. So, while Filene gave speeches emphasizing the relationship of credit unions to the New Deal and to economic recovery, Bergengren lobbied for the Act. And with Senator Morris Sheppard of Texas as his main ally, Bergengren succeeded in having his draft Bill put before the Washington Senate. It was passed unanimously by both the Senate and Congress, and the Federal Credit Union Act became law in June 1934 (1984:115-122).

With the way clear for credit unions to be now organized across the States, the confident US movement established the Credit Union National Association (CUNA) in 1935, and with it the CUNA Mutual Insurance Society. In the beginning, CUNA

Mutual was responsible for borrowers' protection insurance and as early as the end of 1936, had 437 credit unions from thirty states as members – making 23,000 credit union loans insured with a total coverage of over \$2 million (1984:162).

During CUNA's first 3 years, the number of US credit unions rose from 2,450 to 6,219 (1984:171). And,

[b]y 1939 CUNA operated on a budget of about \$85,000 a year and, with the assistance of some state credit union leagues, carried on a fairly effective organizational campaign. During the five years from the end of 1936 to the close of 1941, the number of active credit unions nearly doubled, increasing from 5,242 to 9,891. Membership rose from 1,170,000 to 3,304,000 in the same period. Total assets nearly quadrupled, growing from \$82,817,000 to \$322,000,000. Loans also climbed rapidly, rising from \$148,773,000 in 1939 to \$219,856,000 in 1941 (1984:194).

An interesting aside to the story of this growth comes in the form of a text written by a professor of business studies in 1939 (Snider, 1939), in which he details the credit unions operating in their 'pioneer state' (1939:5) – Massachusetts. Of the 419 credit unions registered in the state in 1937, there were 235 'occupational' examples, 103 'community' types, and 48 'ethnic' credit unions. The remaining 33 credit unions were registered as 'associational', and included those organized among trade unionists, war veterans, members of social services, and 'fraternal' bodies (1939:53). Snider states that it was not always easy to 'separate' community and ethnic credit unions into distinct categories, as many designated 'community' credit unions often had the majority of their memberships derived from a particular ethnic group. For

example, many of the community credit unions were predominantly Jewish, and the largest number of 'ethnic' credit unions drew their common bond around the Jewish faith. Yet, other 'ethnic' credit unions included French, Italian and Polish examples.

An interesting course of events that Snider only refers to but does not systematically investigate, concerns the rate of credit union failures – both generally and as a result of the Depression. As he explains,

The occupational unions have grown rapidly, even from 1929 to 1933, while the community unions have dwindled. In 1926 there were 122 community unions and 36 occupational unions. Both types were larger in 1929, but from 1929 to 1933 the community unions decreased, while the occupational unions increased. From 1933 to 1937 the number of community unions fell further to 103, while those of the occupational type increased very sharply to 235.

The ethnic credit unions also suffered a net decline from 1929 to 1937. Moreover, in total assets, although not in number of unions, they were smaller in 1937 than 1926 ... Almost as many ethnic unions have been liquidated as are now active. The Jewish unions have predominated the liquidations. The mortality among the community and associational groups has also been high (1939:56-57).

8. The Post-World War II Period

It was in the immediate post-Second World War period that US credit unions began to proliferate significantly across the country. CUNA continued to encourage and support credit union formation through the state leagues and in the decade from 1945 the number of credit unions almost doubled, with membership numbers rising to over 8 million (Moody & Fite, 1984:220). By 1955 credit unions were providing nearly 6 per cent of the installment credit in the US, with CUNA Mutual – now also offering individual life insurance for credit union members – having over \$2 billion in loan coverage (1984:227).

As the movement expanded, many individual credit unions began to grow to a size whereby their operations became too complicated to rely on anything but trained personnel. And as a professional managerial group emerged within the credit union movement, so the original principle of volunteerism disappeared. Yet, by 1952 CUNA had begun to concentrate some of its activities towards the expansion of the credit union idea across the world, and by 1956 had assisted in the development of credit unions in India, New Zealand, the Philippines, Nigeria and Guatemala. CUNA also invited representatives and trainees to its new research facility in Madison, Wisconsin and began a programme of training and support for credit union formation around the world that continues through its World Council of Credit Unions (WOCCU) to this day. For their part however, by 1956, individual US credit unions

were lending far less for such things as farming tools and medical bills, and increasingly for ordinary consumer purchases by the wage-earning and professional employees who now made up the majority of credit union memberships.

Credit unions still served their original 'provident' purposes, but the meaning of 'productive' had changed (Moody & Fite, 1984: 242).

A further fifteen years of continued growth meant that by the end of the 1960s, there were 23,761 US credit unions affiliated to CUNA serving over 21 million members. However, credit unions were finding it difficult to compete with the higher interest now being paid on savings by banks and other financial institutions, and there was a feeling among many activists that people had more and more come to view credit unions as simply convenient places for obtaining small loans. In response, the movement sought, through its Services Corporation, to extend the services that credit unions could offer to its members. These included: supplying credit unions with money orders and traveller's cheques for sale to members. It also initiated an investment programme, where credit unions with surplus funds could invest them by means of a trust arrangement in US government securities. Then, during the early years of the 1970s, many other services were introduced, including: variable interest rates, the removal of limitations on dividend rates, and credit cards. However, competition from other financial institutions increased in intensity throughout the 1970s, as spiraling inflation and rising interest rates resulted in consumers seeking the best possible return on their savings and the lowest interest rates on loans (1984:250-266).

Despite this, the US movement was still able to adapt itself to the changing financial environment. Already by 1970, CUNA Mutual had become the fourteenth largest life insurance company in the nation in terms of coverage, with a total of \$15.6 billion of insurance. And the society was also providing its loan protection and life savings insurance to credit unions in fourteen countries outside North America. For their part, CUNA continued to consolidate their activities and as part of its development strategy launched a major advertising campaign to increase the profile of US credit unions generally and to encourage further membership. This strategy continued throughout the decade, and included major television advertising campaigns carried on network broadcasts of professional football, the baseball World Series, and the 1976 Winter Olympics (1984:292).

However, as certain groups within the movement continued their efforts to establish credit unions as full service organizations, others began to voice concerns about the apparent shift in direction and philosophy. The push from CUNA for greatly expanded common bonds and the 'mad urge to merge', as one activist put it, was seen by some as a threat to the smaller, community credit unions who it was feared would be 'pushed aside' in the race for growth. Yet, despite these concerns, no sustained efforts were made to create a CUNA-affiliated organization to represent these smaller credit unions. There were, however, several 'splinter' groups that emerged within the movement during the 1970s representing dozens of special interest associations and, most influentially, organizations representing the professional employees working in the movement. These included: the National Credit Union Management Association, the Credit Union Executives Society, and the Association of Credit Union League Executives. There also emerged a number of other associations representing state or

regional groups of credit unions, and some of these de-affiliated from CUNA. One example being the Midwest Association of Credit Unions which came to represent 100 credit unions in Illinois without formal connections with the CUNA-affiliated state league there.

Although internal friction and centrifugal tendencies within the movement arose periodically, CUNA nevertheless remained the prominent leader of US credit Unions, and in order to strengthen its position, underwent a major re-organization in 1970. When the Hunt Commission submitted its report to President Nixon in 1971 on the review of the structure, operation, and regulation of all US private financial institutions, many of its key recommendations echoed the on-going modification agenda that had been drawn up by the CUNA board of directors. The Hunt Commission recommended that all commercial banks, savings and loans associations, mutual savings banks, and credit unions should be allowed to compete on an equal basis in the same markets. For credit unions, this meant being

... allowed to invest in a full range of private and governmental debt instruments and they would be able to offer members a full array of secured and unsecured consumer instalment loans, as well as residential and mortgage loans. Somewhat restricted checking accounts would become legal, and credit unions could sell various types of checks and mortgage insurance. The common bond was to be liberalized, although the commission called for an end to the chartering of community-type credit unions. Even though uniform tax treatment for all institutions was proposed, credit unions would be allowed to continue their 'special tax status' as long as they made no move to serve the general public (1984: 307).

In 1974, the movement achieved another significant milestone with the formation of the US Central Credit Union. This new institution, in the same vein as Raiffeisen's credit union for credit unions, began to serve as the apex of a system of corporate credit unions in each state, or region, and quickly became the movement's primary source of financial and payment services. Under the system, the surplus funds of credit unions could be placed in state or regional corporates, and US Central provided a depository and investment vehicle for all member credit unions. It also provided loans to its members from its own funds or from funds raised within the money market. In 1981, the US credit union movement launched its own automated teller machine network and extended further services to members in the form of retirement accounts, debit cards and discount car rental schemes (1984:296). And by 1982, US credit unions were offering many of these services to the 46 million Americans who were now members.

According to the CUNA annual report (www.cuna.org), in 2001 there are 21,368 active credit unions in the US with a combined membership of 79,751,873. The Filene Research Institute (www.wiscinfo.doit.wisc.edu/ccur) reports that in 1998 US credit unions held combined assets of \$393.3 billion. Since the mid-1980s, the number of individual credit unions has fallen while membership numbers have risen. Smaller credit unions have largely given way to much bigger 'live and work' examples, where members are drawn from city or borough-wide common bond areas. Nearly 90 per cent of CUNA-affiliated credit unions have over \$10 million in assets, and 97 per cent of all members have credit union credit cards. As a whole, US credit unions account for 8.6 per cent of customer savings; provide 22.8 per cent of the automobile loans

market; and hold a 12.1 per cent share of all instalment credit. CUNA Mutual (www.cunamutual.com) now has \$8.8 billion in assets.

For its part, WOCCU (www.woccu.org) has supported credit union formation, or established close links with existing credit unions, in Asia, Australia, Canada, the Caribbean, the Czech Republic, the Dominican Republic, Ecuador, Fiji, Great Britain, Guatemala, Ireland, Malawi, Mexico, New Zealand, Nicaragua, Panama, Peru, Poland, Romania, Russia, South Africa, and the Ukraine. They report 37,759 credit unions operating worldwide, with a combined membership total of 100,826,082. In the case of Great Britain, WOCCU has direct links with the Association of British Credit Unions (ABCUL), and all ABCUL-affiliated credit unions are required to place their insurance cover with CUNA Mutual. Indeed, the recent developments in the US movement in general, and in particular its adopted strategy in relation to credit union services and objectives, has been influential in the issues and problems currently being faced by the fledgling English movement. And it is to this movement that we now turn.

Chapter 5

Trust, Reflexivity and the Common Bond in Contemporary Credit

Unions

As the government sets out on the most ambitious programme ever to breathe new life into disaster estates, an alarming report ... commissioned by the Association of Credit Unions, the Co-op Bank and others, casts a cold eye on the fate of community credit unions.

Millions of pounds have been spent to get credit unions afloat over many years, yet ... [i]n England and Wales, the average size of each credit union is still fewer than 200 members, even after many years ... This report paints a sad picture of struggling, ageing bands of gallant local volunteers, over-worked and unable to grow the businesses enough in their spare time, reaching far too small a fraction of their needy local communities.

Guardian 8 February 1999

Introduction

The newspaper article from which the above quotation is taken was influenced by an internal report recently published by the Association of British Credit Unions (ABCUL, 1999) that highlighted the problems currently facing many British

community credit unions. There have been a number of community credit union failures and liquidations over recent years and this has influenced ABCUL's strategy in terms of seeking and working towards sustainable credit union formations and development. Yet, what ABCUL's report, and the newspaper article do not mention is the quite bitter internal debate that has been raging within the British movement for some time. A debate not only influenced by recent failures but also by often polarized perspectives and fierce arguments concerning the future of the movement itself and how best to proliferate the credit union idea in England specifically, and wider British society. Moreover, opinions within the movement differ considerably in respect of what *type* of credit union should be concentrated upon and should receive the lion's share of future internal or external support and funding. The focus of this debate has centred on the common bond aspect.

In this respect, therefore, the approach taken in analyzing the significance of the common bond in British credit unions has two main strands. The first seeks to provide an overview of the British credit union movement at this stage of its development, and in so doing identifies important aspects and characteristics of the movement as it currently stands. The recent history of the movement is therefore explored and important developments are highlighted. The second strand, and main analytical focus of this chapter, seeks to examine and explain particular characteristics of the movement in England that were revealed during the general research process and from the primary data obtained through interviews with key informants from credit unions in Yorkshire and Lancashire. These characteristics can be summarized as follows:

(i) Despite some 36 years of existence, British credit unions have neither achieved the level of growth (in terms of number and proportion of the population in active membership) that was either anticipated by those in the movement, or when compared with contemporary credit union movements in other Western societies (most notably, in Northern and Southern Ireland). Indeed, the growth of credit unions in England and Wales has been judged by both commentators and activists to have stagnated in recent years despite enabling legislation as well as active encouragement, support and funding from both local and central government. Further, no particular model of British credit unionism has so far emerged that can be identified as being the dominant form of this elective association in British society. That is, one which encapsulates all the main characteristics of British credit unionism and provides the template for proliferation of the idea.

(ii) As referred to above, the movement itself has been embroiled in an often bitter internal debate over recent years which has led to a rift between those volunteers and activists who strongly identify with and favour larger industrial, employee credit unions, and those who see the smaller, community-based model as being the one most suited to, and most needed for, the contemporary circumstances of British society.

(iii) Both the two main issues mentioned above that characterize British credit unionism at this time (as well as the many strands of argument, different perspectives, and experiences that inform them) have tended to be focused on the notion of the 'common bond'. Whether seeing it as no more than a practical tool in establishing integrity in a credit union during the early stages of its development, or holding it to be *the* main factor in establishing and maintaining the uniqueness of credit unions as

an elective financial association, the common bond issue has been a prominent feature in British credit union history. This is not to imply that other factors (including, lack of financial administration skills among volunteers, inadequate anti-poverty strategies adopted by some local authorities, and certain restrictive rules and requirements laid down by the movement's regulatory body) have not played their part in recent failures and problems. These factors are considered in the next chapter. But, as this chapter will show, there is evidence to indicate that issues of identity, matters of personal conduct based on values and belief, and dynamics of established and outsider relations, have all played an important role in the successes and failures of this form of elective association. And in these cases, these aspects have tended to be played out around the notion of the common bond.

In short then, in common with the previous chapters, this chapter seeks to show that examination into the significance of *affective* bonds to this form of elective association, whether considered as a positive or negative influence, must be included in any study in order to fully appreciate the nature of British credit unions and establish the particular characteristics that differentiate them from other forms of elective association or financial co-operative.

In doing so, this chapter reflects on the work of Bauman (1998 & 2001) and his ideas concerning the 'individualized society' and the gradual, yet relentless, passage he identifies from a society guided by the work ethic to one ruled by the ethic of consumption. Primary data is also considered in light of Giddens's notion of 'trust' (1990; 1994) and the shift he argues has occurred from 'passive' to 'active' trust in reflexive modernity. Giddens's theory is also considered in the light of Lash's

critique of it (1994) in respect of what he terms the ‘reflexivity losers’ of contemporary society. Moreover, the ‘taste communities’ or ‘lifestyle enclaves’ that Lash describes are considered with reference to Schmalenbach (1977) and the general insights revealed in Chapter 2.

2. The Structural Context

The broad structural context in which British credit unions have emerged, and the two distinct credit union ideologies identified by Ferguson & McKillop¹ (1997) that were outlined in Chapter 1, are perhaps best explained when considered in light of developments in modern British society. In both the cases of the Raiffeisen credit union movement of late-nineteenth century Germany, and the early twentieth century credit unions of North America, these elective financial associations, the values and traditions they embodied and the social identities of their members, were all played out in societies that were, in the words of Bauman, primarily ‘producer societies’ (1998:24). That is, modern society in its industrial phase engaged its members *primarily* as producers; and the way in which it groomed its members was ‘dictated by the need to play this role and the norm that society held up to its members was the ability and the willingness to play it’ (*ibid.*). Whereas, in this phase of modern society – whether described as late-modern, second-modern, or post-modern – society primarily integrates its members as *consumers*. Among the significant changes that have occurred under this shift, Bauman considers none quite so profound as the

¹ Ferguson & McKillop’s text was the only analytical text on British credit unions that came to light during the research process. The thesis has drawn upon their observations concerning the ideological differences between many community credit unions and their industrial counterparts.

manner in which people are integrated into the consumer society's social order and given a place in it. With the decline of mass industrial employment and universal military duty, these and other 'panoptical institutions' that were effective in training people in routine, monotonous behaviour, are no longer relevant – or desired – social mechanisms of 'normative regulation' or 'pattern maintenance'. Indeed, the very way in which these institutions reached that effect, through what Bauman describes as the limitation or elimination of *choice*, is no longer relevant, nor desirable, in a consumer society where the role pre-requisites are fundamentally rooted in the absence of routine and in a constant state of choice.

With 'flexibility' having dismantled many of the stable conditions that enabled people to construct a permanent identity through the work they perform, 'aggregate identities', like consumer goods, are to be appropriated and possessed. But under the 'consumer spirit', these identities often befall the same fate as the material goods themselves – desired, consumed, and then replaced. Indeed, Bauman considers that the very concept 'identity' may no longer be useful as it cannot reveal a crucial aspect of the consumer society's most common life-experience. Namely, that concerns about social placement are more and more often defined by the fear of an 'identity' too rigid, too inflexible; one which restricts options, restricts choices, and thus promises a future not of potential self-fulfillment but self-deprivation. Just as the religiously/ethically inspired vocational and acquisitive passions lay like a light cloak on the shoulders of the protestant saint, so too the temperament and life attitudes of the consumer. But in the consumer society these acquired habits are not just worn ready to be thrown aside at any moment, they are continually so - as it is the very

volatility and temporary nature of all engagement that counts. Nothing should command a commitment forever: no desire, no oath of loyalty.

The sole purpose of any norm is to use the human agency of free choice to limit or altogether eliminate freedom of choice; to elbow out or to cut off completely all possibilities except one – the one promoted by the norm. But the side effect of killing choice, and particularly the choice most abominable from the point of view of normative, order-instilling regulation – a volatile, whimsical and easily revokable choice – would be equal to the killing of the consumer in the human being; the most horrifying disaster that may befall the market-centred society ... Normative regulation is thus ‘dysfunctional’ and so undesirable for the perpetuation, smooth functioning and prosperity of a consumer market, but it also appears repulsive to its clients (1998: 29).

In the consumer society, consumption is held up as the measure of a successful life, of happiness, and even of human decency. In short, where the work ethic once ruled, now rules the ethic of consumption.

If the producer society is Platonian by heart, seeking unbreakable rules and the ultimate patterns of things, the consumer society is Aristotelian – pragmatic, flexible, abiding by the principle that one worries about crossing the bridge no earlier (but no later either) than one comes to it. The sole initiative left to a sensible consumer is to be on that spot where opportunities are known to be thick on the ground, and be there at the time when they are known to be particularly dense. Such initiative can accommodate only wisdom of a ‘phronesis’ kind, a collection of rules of thumb, not foolproof recipes and algorithmic commands. Hence it requires a lot of trust and above all it needs safe havens where that trust can be securely anchored (1998: 32).

Whilst Bauman considers that the search for trust under these conditions has made the consumer society a 'counselling paradise', Giddens (1990) contends that trust, with its antithesis 'risk', are polar, paradoxical features of modernity which have come to permeate all aspects of people's everyday lives. In pre-modern cultures, trust and 'ontological security' – that is, 'the confidence that most human beings have in the continuity of their self identity and in the constancy of the surrounding social and material environments of action' (1990:92) – are best understood when examined in the local circumstances of *place*. When compared with the conditions of modernity, the level of time-space distancing in pre-modern cultures is relatively low. Thus, despite the many variations according to the particular social order in question, the contexts of trust that tend to predominate in pre-modern cultures are anchored in the *local*. Kinship relations as an organizing medium of trust relations; community, when understood as localized relations organized in terms of place; religious cosmology; and tradition itself – none of these four main loci of trust and ontological security that characterized pre-modern conditions have a comparable importance in circumstances of modernity.

Giddens argues that the 'counterfactual', future-orientated character of modernity – many aspects of which have become globalized with a corresponding high level of time-space distancing – is largely structured by trust in *abstract systems*. The trust he sees given by people in abstract systems, and especially in *expert systems*, is rooted in his more general work on reflexive modernity where 'trust' is a matter of calculation of benefits and risks in circumstances where expert knowledge no longer generates a sense of security about an independently given universe of events, but

actually *creates* the universe of events – as result of the continual reflexive implementation of that very knowledge. However, trust in technical knowledge only exists in conjunction with a pragmatic attitude towards abstract systems, based on attitudes of scepticism or reserve. People make, says Giddens, a ‘bargain with modernity’ (1990:90) in terms of the trust they vest in symbolic tokens and expert systems.

There is a strong psychological need to find others to trust, but institutionally organised personal connections are lacking, relative to pre-modern social situations. The point here is *not* primarily that many social characteristics which were previously part of everyday life or the ‘life-world’ become drawn off and incorporated into abstract systems. Rather, the tissue and form of day-to-day life become reshaped in conjunction with wider social changes. Routines which are structured by abstract systems have an empty, unmoralised character – this much is valid in the idea that the impersonal increasingly swamps the personal. But this is not simply a diminishment of personal life in favour of impersonally organised systems – it is a genuine transformation of the nature of the personal itself. Personal relations whose main objective is sociability, informed by loyalty and authenticity, become as much a part of the social situations of modernity as the encompassing institutions of time-space distanciation (1990: 120).

The relationship between members of credit unions and ‘expert systems’ is considered in more depth in the next chapter. The important point to make at this stage is that for Giddens, the bases of ‘trust’, as a reality-congruent concept, should be considered to have shifted from the passive to an *active* state under the conditions of modernity. But this shift, he argues, is experienced by individuals in their daily lives with far

more ambivalence than simply through a sense of the loss of community. Localized influences have not simply drained away into the more impersonalized relations of abstract systems (i.e., the subsumation of the *Gemeinschaft* within the *Gesellschaft*). Yet, the individual *is* displaced, *is* dis-embedded, through the lifting of social relations and the exchange of information out of specific time-space contexts. What distinguishes this process is that ‘the very tissue of spatial experience alters, conjoining proximity and distance in ways that have few close parallels in prior ages’ (1990:140). Crucially, this has affected the relation between familiarity and estrangement and has altered the boundaries that people draw between themselves and others in terms of concealment and disclosure, ‘since many erstwhile quite distinct activities are juxtaposed in unitary public domains’ (1990:141). Thus, at this stage of modernity, the intersection of intimacy and impersonality is characterized by social action of a far more subtle and complex nature than that under the predominantly place-bound social relations of the pre-modern. Intimacy has been transformed and is contingent on the very mechanisms of displacement and dis-embedding that modernity has brought about. Crucial to this process is the development of altered environments of trust that these mechanisms presuppose – trust that is always ambivalent.

Some of Giddens’s assertions about the shift in trust relations under ‘reflexive modernity’ have been criticized by Scott Lash (1994), and his critique is supported by the primary data on the British credit unions included in this chapter. As will be seen below, the bases of trust that exist between members of community credit unions

examined for this study, and the boundaries drawn between these credit unions and others operating in their locale, do not support some of Giddens's generalizations².

Bauman's (1998) challenging argument concerning the shift in western societies away from people being judged in terms of their productive capabilities and towards a dominant notion of the 'good life' being determined by their capacity to consume, could have important consequences for the future of British credit unions. After all, one of their main functions is to provide cheap loans to members for consumer purchases. Yet, they also provide loans for basic necessities and, in quite a large number of cases, lend money to members who have no 'formal' credit standing of any kind – whether because of their position in the labour market, unemployment, or their inability to meet the interest charges of consumer loans obtained from a bank or other 'formal', or indeed, illegal source. It is interesting, therefore, to consider where British credit unions fit in the changing structural conditions Bauman describes.

3. The Case of English Credit Unions

The report to which the opening quote of this chapter refers, '*Towards Sustainable Credit Union Development*' (ABCUL, 1999), was undertaken by Paul Jones of the School of Law and Applied Social Studies at Liverpool John Moores University, in collaboration with ABCUL, the Co-operative Bank, and English Community Enterprise Partnership. In line with ABCUL's general philosophy, and the experiences of many of its officers, the report resolutely concludes that a more

² Nevertheless, given the recent developments in the English credit union movement – specifically, the proposed proliferation of larger, more heterogeneous common bond definitions and the intended

professional and business-orientated British credit union movement must emerge if it is to develop into a sustainable financial institution that can offer significant economic benefits to individuals and communities (1999:103). Moreover, it states that if credit unions are started with the primary goals of the personal development of volunteers (who lack knowledge and leadership skills) and the development of the community then there is a loss all around (1999: 96).

Credit unions are not, in fact, an effective way to build community where it does not already exist ... Credit unions require mutual trust, which will be lacking if community is weak or non-existent. Community needs to be built first, to provide sponsoring groups and local leadership, before credit unions can be effective. Credit unions are better viewed as second-wave community development vehicles, to be used to *strengthen* community rather than to try to create it where none exists (1999:96).

Yet, elsewhere in the report, findings from a case study of a Welsh community credit union conducted as part of the project, includes a (brief) section on the concerns of certain volunteer workers about the proposed expansion of their common bond boundary.

Talk of expansion and development both in Rhydyfelin and Caia Park was not met without anxiety and apprehension by some volunteers. “*If the credit union grows too big*”, said one volunteer in Rhydyfelin, “*we may lose our principles, identity and ethos*”. Afrom elaborated on how some Caia Park volunteers were afraid they would lose something of the social commitment on which they understood their credit union

‘professionalization’ of credit union services and activities – relevant aspects of Giddens’s argument are examined in the next chapter.

to be founded. It seemed, for a number of volunteers, that there was a contradiction between offering an economically viable financial service to increasing numbers of members and developing the community of which they were a part. The assumption seemed to be that credit unions could only be true to their principles if they remained small enough to have direct and personal conduct with all their members on a regular basis. The way that some Rhydyfelin volunteers spoke of their credit union offering a “couselling service” to members reflected this same kind of assumption (1999:85).

In line with the main thrust of the report, this case study highlights the view that those principles held by some activists – that the philosophy of credit unionism presupposes a limit on membership size – are both limiting and ultimately self-defeating.

Consequently, the perspective that credit unions must first be a professional and effective ‘financial service’ is repeatedly stressed. Only then, it is concluded, could credit unions hope to fulfill their ‘social ideals’. In this respect, the case study mentions the fact that, partly to establish a sound business approach from the outset, and to effectively remove the burden, one could say, of a community credit union being viewed as a specific tool of disadvantaged community regeneration, more recent credit unions in Wales, including Llandudno, Holywell, and Newtown, have set their common bond to include the whole town.

2.1 The Common Bond and Established/Outsider Relations

However, what the case study, and the report in general, does not consider is that although credit unions have been seen as, what may be termed, ‘community regenerators’, fear of, or resistance to, the expansion of a small credit union by

members and volunteers may not necessarily stem from a bias towards the 'social ideals' aspect of credit unionism, but rather from notions of trust based on their 'we-image' and different spheres of identification that these people hold. Indeed, a distinct 'we-image' and the boundaries that individuals set around these affective notions may prove to be a definite obstacle in attempts to set up more inclusive credit unions who may register a common bond that encapsulates a large geographical area. An example of this can be found in Fuller's study (1998) of attempts at credit union development in Kingston Upon Hull, and how the efforts of a credit union steering group to establish a wide common bond area actually served to reinforce previously unarticulated boundaries between several communities existing in the town.

Fuller states that local councillors and community workers had all expressed their pleasure over recent perceived shifts in many local people's attitudes towards community projects, argued to be a positive outcome from the development of a number of residents' associations in the town. Previously, a 'vacuum' had been seen to exist in terms of community activism, with a subsequent lack at the grassroots level of people experienced in developing and running community organizations. However, there was a real sense amongst many in the town that things had changed, and Fuller quotes one local councillor as saying that his ward was now 'buzzing' (1998:150).

At this time there was one fully-developed, and registered credit union operating in the town, one study group, and a group moving towards the development of a council employees study group. In addition, the city council employed one area-specific credit union development worker (reduced from an original three), and had assisted in the creation and running of a Credit Union Forum – a strategic body comprised of

representatives from many groups within the town. It was the Central and West Credit Union Study Group who were specifically involved in the project under discussion, and it was they who sought to establish a credit union with a common bond that took in the area located between Spring Bank Road in the north of the town and the Railway line towards the east, and south to the Humber – taking in the city centre to the west.

From the outset, the Study Group found themselves beset with problems in trying to galvanize what were, effectively, three separate communities into this joint venture. One such problem was the decision to select a particular community centre, located roughly in the middle of the common bond area (namely, west of the city centre), to serve as a monthly meeting place for joint discussion and planning. Despite this community centre being located in the older, more 'tightly-knit' community, potential volunteers and members from an adjacent working-class estate perceived this as favouring one community's 'territory' over another (1998:151). Moreover, some members from both these estates were hostile to the inclusion of those from the 'Docklands' area (in the south of the city centre) because they felt they had nothing in common with these people as they were 'wealthier' and 'do not belong' (1998:153).

In an attempt to remedy this, the Study Group began a monthly 'tour' of the various community centres located within the proposed common bond area. However, it soon became apparent that although this was necessary in order to be seen not to bias one centre over another, the effect of each community centre having its own 'territory' also meant that interested potential volunteers from outside whichever centre the 'tour' was visiting were unlikely to attend. Many stated that to attend each meeting

would simply result in hearing the same information and so lost interest. In this case, the lack of trust between the three communities stemmed from the symbolic boundaries that existed between them and despite the efforts of the steering group to establish a credit union that would potentially bring tangible benefits to the inhabitants of all three areas, these boundaries proved too rigid for any basis of cooperation to develop. As Fuller explains,

In local terms, the 'additional' area in the extended northern part of the bond ... represents a somewhat different community from that to the south, the south being the traditional heartland of the city's now long-lost fishing industry whose inhabitants remain very proud of its history and heritage. At meetings it was sometimes apparent that its inhabitants felt separate from those to the north, with little apparent trust or an obvious galvanising factor between the two areas and its inhabitants. In addition, the common bond now includes the city centre, the regenerated 'Docklands' area, characterized by a mixture of Housing Association and private accommodation. Both these areas might be characterized as being inhabited by a somewhat transitory population, with little real feeling of community within these areas, let alone with the area to the west of the city centre. It could be argued therefore, that in relation to the tie that binds members together, this desire to cover larger areas, and ultimately to cover the whole of the city in a patchwork of common bond areas could lead to more barriers to the future development of any proposed credit union. In particular, it undermines the notion that pre-existing common linkages should be built upon, and not new ones imposed, and weakens the degree of mutual loyalty and trust that underlies credit union operations (1998:151).

Although the particular aspects of this case reflect the local circumstances, the situation that Fuller describes bears quite a striking resemblance to the intra-

community relations described by Elias and Scotson in *The Established and the Outsiders* (1994). In this case, the established west-Hull community, with its shared history and strong internal cohesion, versus the less cohesive, more transitory city centre and 'Docklands' population; coupled with a distinct feeling of separateness between the southern and northern areas of the west-Hull working class estates. In effect, the boundaries – both physical and symbolic - served to stifle the efforts of the Study Group to establish a credit union with a common bond that encapsulated the three areas. Fuller goes on to describe the initial efforts to expand the proposed common bond even further, to include the entire town boundaries. By the end of his research period these attempts were still in the early stages. However, he concludes,

Effectively, the recent events in Hull had led to a questioning of the whole process and benefits of idealistic common bond definition ... The space within becomes purified through 'official' boundary construction, because of the social links that have apparently been identified, in line with the common bond philosophy, between the members within the boundary, the trust that those links supposedly engender, and the power of shame that ensues should that trust be broken (1998:154).

3.2 The Link Between the Common Bond and Trust

This link between the notions of 'trust' among members, or potential members, and the physical or symbolic boundaries that can be encapsulated within the common bond definition, is an aspect of credit unionism that has remained largely uninvestigated. However, in the course of my interviews with respondents from

credit unions in Yorkshire and Lancashire this link was made explicit. For example, a member and volunteer treasurer of a church-based credit union in Bradford explained that it was the Christian beliefs of their church members that was the basis of trust for them.

Sadly, it is friends of church members – not church members themselves – who have let us down. No single church member has ever let us down. Now we will only admit new members who have been recommended by existing ones. Honest people.

There's a problem outside churches. There seems to be an attitude that if you can get away with not repaying debt, then get away with it. But it's for people who attend church every week and listen, *listen*, to the message of honesty and integrity. Also, meeting people at church who are also members provides influence for paying up. We've only ever had to write off one bad debt. A poor woman, poor as a church mouse, but not a Church member. That's what credit unions should be all about – honest people helping each other.

The link between trust and the common bond was also an issue for a community credit union operating in the Bramley area of Leeds. As the volunteer treasurer explained to me,

The Burley and Headingley Credit Union had been going longer than us but they weren't getting anywhere. They had only got about 50 or 60 members and those that were in weren't borrowing money. Anyway, they approached us to see whether we would be interested in merging and we began to go through all the processes. But about four months in ... John, the representative from Burley and Headingley we had been dealing with, suddenly announced that they believed that the savings and loans

forms we used were too intrusive, and that they were pulling out of the merger. Just like that. Apparently, they didn't like the fact that we ask new members to fill out a budget form before they start saving – an idea we took from the Citizen's Advice Bureau. We thought that this would be particularly useful as we were effectively extending our common bond area to include people we had never met.

The point that this respondent makes is that there were no established trust relations between the members of the two credit unions and that, effectively, the proposed merger was abandoned because of the proof of trust requested by the Bramley community through the personal financial disclosure involved in the completion of the budget forms. As the two previous chapters have shown, the link between credit unions and trust among the members has been a characteristic of credit unions throughout their history. In the course of my interview with the head of ABCUL, he reflected on this aspect but his long-term involvement with credit unions in the US made him sceptical of the notion that trust between credit union members is only really guaranteed through pre-existing or elective trust relations established through the common bond.

There are a lot of myths that have grown up around the 'common bond'. One of them you hear all the time is that it keeps loan losses down because everybody knows each other. Well, the reality is that from evidence gained from studying it in the States indicates that this is not the case. One piece of evidence is to correlate loan delinquency rates with the size of a credit union. And they are inversely proportional. You would perhaps expect larger credit unions to have a bigger problem with loan delinquency than with smaller examples where everybody knows each other. But it's actually the opposite. It seems to come down to member loyalty.

Credit unions tend to lend money on the basis of character. That is, they tend to lend money to those people they think will be responsible about repaying it and one might suppose that the ability to make those kinds of subjective judgements accurately is facilitated by making those judgements about people you feel some communality with. You know what their dynamics are and how they react in a relationship. Maybe there's an element of that involved but I think that people feel some loyalty towards their credit union, perhaps encouraged by a group identity, that makes them more likely to want to repay the credit union even if they are not paying other creditors

However, from the perspective of the respondent from the small community credit union in Bramley, loyalty towards the credit union is inextricably tied to the pre-existing relations between the local people.

I find that when you are talking about community, everything is based on trust.

As a small community credit union serving 200 members, the Bramley credit union has many of the characteristics of the type of credit union ABCUL's report sees as ultimately outdated for the conditions of a modern economy and society. Until recently, and as mentioned above, ABCUL was headed by an American, who served as Chief Executive Officer of CUNA Mutual for eight years. For him, the tendency for the majority of British credit unions to lean towards a community bias would leave most US credit union members quite baffled. 'Giving people a good deal', is the 'bottom line' for US credit unions, according to him. During the course of the interview it became apparent that he saw the 1937 Federal Act as the point from

which the US credit union idea 'really got going'. In terms of penetration across the States, and as the previous chapter addressed, this is certainly true. His view on the dominant reason for credit unions' proliferation across North America is shared by the movement's historians, Moody & Fite. As he explained:

I am struck by some real contrasts between the way credit unions are viewed, and have been viewed, historically in the States and how they tend to be viewed in Britain. In Britain, there is much more of an orientation for credit unions being community institutions. Whereas, in the States they are much more of a financial institution. The reason why credit unions were developed and thrived in the States was to give people a better deal on financial services. And so, community benefits, community-building, is entirely secondary ... [T]he idea of a credit union was just to give people access to credit that was so expensive everywhere else. The idea of the community, or the bond among people, was only a secondary consideration.

The whole appeal of a credit union to me and to the general population of the United States is not that it's 'community' or 'employment' or anything like that, but that it gives me a phenomenally better deal on financial services. At the moment, the average credit union rate on savings is a full percentage point higher in the States than you get at a bank, and the average rate on secured loans is full percentage point lower. And on unsecured loans it's about four per cent lower. Bank fees on average are about four times what the credit unions charge. So, you know, my credit union in the US will give me anything I could possibly get from a bank. The first time I needed a bank account in twenty-five years was when I started living here in Manchester. In the US I've got a current account, VISA credit card, home mortgage – anything I want from my credit union. And I get high levels of service. It's friendly, personal –

that to me is the whole reason for having a credit union. If it's organized on a community or employment basis, I could care less [sic]. You see what I'm saying?

However, for a credit union development worker based in Sheffield, there is a real distinction between employment or industrial credit unions and community-based types. For her, it is not simply a matter of the amount or level of services offered but in the different *ethos* that the two models can display, and how this can affect the relationship between the credit union itself and its members.

I personally belong to two credit unions – the Rotherham Employee Credit Union and a smaller community credit union that doesn't have all that many waged members. It doesn't have a pay-roll deduction facility, for example ...

A number of the members of the Rotherham employee credit union have a different attitude to borrowing and lending, and they are ever so clever at using the rules that exist to maximize the benefits to themselves. So, they borrow up to the maximum, get top-ups as soon as they possibly can, and so on. But very few of them are motivated by a commitment to the wider membership. Whereas, in the community credit union that I belong to there seems to be a much more genuine coming together and seeking policies and initiatives for the benefit of all members. And I think that it would be a mistake if we concentrated on the formation of credit unions where the instrumentalism I have seen is tacitly encouraged. Credit unions are about tons more than that.

4. Observations

The data so far presented concerning the link between credit union common bond boundaries and the bases of trust that are embodied within them, provide an empirical critique of Giddens's argument concerning shifting bases of trust in inter-personal relations. In the case of the Hull example, the lack of trust between the three communities appeared to carry no ambivalence. The 'we-image' of the two working class communities, rooted to a large degree in notions of 'place', and with its shared history and experience, displayed far more 'traditional' non-reflexive characteristics. As a result, the dynamics of this case study are better understood through an analysis based on established/outsider relations than through a search for examples of 'active trust' and its supposed effects on inter-personal relations. The primacy of 'affect' as a concept is brought into sharp relief here, as whilst Fuller's (1998) investigations only begin to scratch at the surface of the gossip channels within the two working class Hull estates, he nevertheless immediately reveals their power as an instrument of exclusion – both in terms of the two estates in relation to the newly residential docklands area, *and* between the two working class estates themselves. What so baffled the credit union study group was in effect the articulation of these symbolic boundaries being displayed through the reticence and intransigence of the community members who attended the meetings.

In the case of the Catholic credit union, trust is inextricably linked with faith and the symbolic boundary encapsulating the common bond also encapsulates the religious beliefs of the members. Whilst not seeking to argue against Giddens's statements on the decline of religion as a pervasive influence upon day-to-day life, previous chapters

have shown, common bonds based on faith have been a characteristic of all credit union movements researched for this study. What is particularly interesting in this credit union example is the fact that it is the notion of religious faith in general that provides the boundary for its common bond, as it is actually drawn around the regular congregations of one Catholic church, a Methodist church, and two Anglican churches. The credit union is the site of the elective association between these different denominations and the core of their *bundlich* relations is located in the 'pure form' that Schmalenbach describes (1977). That is, in their fidelity to the belief in God. This being so, the link between personal belief systems and common bond identification remains a necessary part of any study into this and other elective associations of this type.

Notions of trust being tied to place are also revealed through the interview with the respondent from the community-based credit union in Bramley. Although the founder members of this example are all Christians, the boundary of their common bond was drawn around the local estates of the immediate area. However, the trust between the credit union members was not immediately assumed and as the respondent explained to me, a potential member, or family of members, would be put forward by an existing one and then would have to fill out a budget form that would be considered by the membership committee. This precondition of the credit union was intended to satisfy existing members that the applicant, who would herald from the estate although not necessarily be personally known to the majority of existing credit union members, was trustworthy and could be invited to join. And yet the establishment of trust was viewed by the respondent as a two-way process, as she believed it crucial

that the credit union itself gain trust from potential members on the estate through ensuring that it remain a purely estate-led and estate-run association.

The fact that many existing community credit unions in Britain display a strong correlation between their common bond and the basis of trust that the members share was difficult to understand when viewed from the perspective of the respondent with a long-term involvement in the US credit union movement where, he argued, credit unions are viewed first and foremost as co-operative financial organizations. But from the experience of the development worker from Sheffield, the current 'division' between British community credit unions and their industrial counterparts fosters a distinctly different ethos altogether, and that in her experience this impacts on the way that the different memberships view and use the services that the credit union provides. The reasons for the instrumentalism she sees in industrial credit unions would seem self-evident to the community and religious credit union respondents, who both see a common basis of trust as being at the core of the credit union idea, and therefore fundamental in ensuring true reciprocity among members. Industrial credit unions, in their view, all too quickly come to resemble impersonal savings banks where a key aspect of the credit union philosophy becomes lost. Namely, the alleviation of financial hardship among the poor and unemployed. The volunteer from the community credit union in Lancashire cited low pay and poverty as a key reason for them seeking to set their common bond to include the whole town. But, as he explained, this was being done 'bit by bit' through selecting a particular street or group of houses and then offering membership to the inhabitants. Once they were successfully integrated in the credit union, then they would select another street or group of houses, and so on. At each stage though, potential members would be told

not only of the benefits of membership but also of the values and principles of the credit union - so that it could ensure that its larger size did not have an adverse affect on its philosophy. 'And that', he told me, 'is Raiffeisen talking'.

Referring back to the discussion in Chapter 2, the evidence thus far presented from the interview data not only stands as an empirical critique of Giddens's arguments, but also reveals some gaps in his theorizing. The shift in trust relations that he describes seems to be centred on what we have termed 'rational' trust. He points to a shift from passive to active trust certainly, but the trust he is characterizing is defined as the calculation of benefits and risks. And this definition has a strong rational flavour to it. Indeed, Giddens goes on to state that it is this shift to active trust that has had a direct effect on inter-personal relations. That is, he appears to be suggesting that the bases of rational trust have shifted causing an alteration in the bases of personal/affective trust. In this respect, the interview data from the community credit unions included for this study suggests that, in these cases, the bases of affective trust have tradition and continuity. The tangible sense of trust among neighbours; or the unarticulated sense of neighbourhood that is made explicit through the juxtaposition with other, unfamiliar neighbourhoods; the bond of trust between the followers of faith – these are familiar observable bases of personal trust for social scientists. From the data gathered here, it seems that Giddens has at least overestimated the effect on inter-personal relations that the shift in the bases of rational trust has been argued to have caused. Indeed, Lash believes that Giddens has failed to recognize that there are many people for whom the changes brought on by shifting modernity are largely outside of their experience.

5. Credit Unions and ‘Reflexivity Losers’

In order to gain a better perspective on how the above data and observations relate to Giddens’s theory, it is useful to consider a characteristic that these community credit unions share. And that is that all the community credit unions visited in the course of my research, like the vast majority of community credit unions in Britain, are working class. Indeed, all the respondents from community credit unions themselves drew this distinction and all described issues and problems that they face in relation to such factors as redundancy, unemployment and poverty. They also considered that these factors were a further distinguishing feature of the current rift within the wider British credit union movement. For the respondent from the Bramley credit union, the part of ABCUL’s report that concerned her most was the conclusions concerning any future local government or state funding for new credit union formation:

You know what I see as the most important thing from the community point of view? Instead of the money going into a central point like, say, Leeds City Credit Union, they offer the help that community credit unions need. After all, it is only the community credit unions who can get to the people that need it most – those on the estates who haven’t a job.

The respondent from a large community credit union based in Nelson, Lancashire, made the point in this way:

We have one lady who only joined because her husband did. And now, through her constant saving, and a few years’ dividends, has over £1000 in her savings account. But she would never have achieved this anywhere else. I mean, where else can an

adult save a pound a week? Even a child can't save at the Post Office for less than £20.

For the volunteer treasurer of the Catholic credit union in Bradford, the alleviation of personal financial hardship that a credit union can offer is fundamental to its existence. During the course of the interview he repeatedly made the distinction between the larger, industrial credit unions and the 'real' credit unions operating in areas of high unemployment and poverty.

There's a rift in the movement but not at the bottom. I go to a lot of grassroots meetings and have numerous volunteers and members. We all speak the same language and we all face the same problems. And we are not in sympathy with what the ABCUL board of directors is pushing. Change the board of directors from people involved in big employee credit unions to those working in community credit unions – then you would have a very different credit union association.

In considering this data in respect of Giddens's wider argument, it is useful to view it in the light of Lash's (1994) reply to and critique of Giddens's reflexive modernization thesis. The issues mentioned above that many British community credit unions face on a daily basis can be included in the wider context of systematic changes in the labour market under post-Fordism, and with it, what Lash terms, the 'reflexivity losers's of the working class and 'underclass', whose life chances have become dependent on the access to and place in the new information and communication structures.

At the core of Giddens's theory lies the assumption of the progressive freeing of 'agency' from 'structure'. Or as Lash sees it, structure effectively forcing agency to be free as structural capital accumulation is now only possible on the condition that agency can free itself from rule-bound 'Fordist' structures. Yet, even though Lash agrees with much of Giddens's work on reflexivity, he sees reflexivity being evident in certain places, in certain economic sectors, but hardly at all in others. The reflexivity required in the knowledge-intensive design process under flexible specialization is hardly a pre-requisite for the millions of 'junk jobs' that are undertaken by the 'MacDonalds proletariat'. Neither is it a reality for all those new labour market positions that have been downgraded to a place below that of the classical Fordist working class. Just how 'free' can agency ever really be in the circumstances of acute inner-city poverty?

However, if, as Giddens claims, reflexivity by definition involves the freeing of agency from structure, then how is one able to adequately explain the persistence of structural causes of inequality in 'late modernity'? This aspect is the main thrust of Lash's critique.

The answer to this would seem to be that reflexivity and inequality of 'reflexivity chances' must then have for condition of existence an interarticulated set of *non-social* structures ... What indeed underpins reflexivity is then neither the social (economic, political and ideological) structures of Marxism, nor the (normatively regulated and institutional) social structures of Parsonian functionalism, but instead an articulated web of global and local networks of *information and communication structures*. One might best understand this new context in contrast to industrial capitalism, in which 'life chances' and class inequality depend on an agent's place

and access to the mode of production. In reflexive modernity, life chances – the outcome of who are to be the reflexivity winners and who the reflexivity losers – depend instead on place in the ‘mode of information’ (Lash, 1994:120-121).

As one of the structural conditions of reflexive production, the flow of information and the access to this flow along with the training and skills required, presupposes an ‘upgrading’ of certain working class jobs within the means of production. But this new ‘reflexive’ working class (Lash, 1994:129) are not created solely because they are users of informationalized means of production. They are also the producers of consumer and producer goods – such as, televisions and mobile phones – which themselves act as means of production and consumption inside the wider information and communication structures. Furthermore, the reflexive working class are also individual *consumers* in market-driven economies, and the ‘short-termism’ that characterizes these consumption systems has led to the vastly higher proportion (especially in the Anglo-American world) of personal loans to direct consumption. In short, the explosion of personal *credit*.

Viewed in these terms, the rift between British community credit unions and their industrial counterparts takes on a further important dimension. For the activists and advocates of large industrial-based city-wide credit unions, the issue is fundamentally one of making credit facilities and loans available to as many people as possible. Many of these potential members occupy places in the labour market that restrict or even deny them access to many forms of legally available credit. In the case of the US, as the head of ABCUL explained to me, access to a standard bank account is dependent on the wage an individual receives, as bank charges for millions of US workers are prohibitively high. It is not surprising, therefore, that giving people a

'better deal' on financial services has come to be a core aspect of the US credit movement's contemporary philosophy – and, no doubt, an important aspect of why people seek membership. A similar a point of view was expressed by the respondent from England's largest industrial credit union, based in Leeds.

A lot of community credit unions were set up to help people in difficulties, and yet because of the very nature of the credit union and the way that they work, they very rarely help anybody in difficulties. They insist on a qualifying period so that they can get to know the new member; they are limited on the size of loan they can give. But they are nervous about taking a risk with somebody that they don't know. So, they quite often don't help the people they're there to help.

Despite the different perspectives and contentions held between community and industrial credit unions, their members are often those who Lash would describe as the 'reflexivity losers', or as Bauman terms them, the 'flawed consumers' of contemporary British society. The names of many of the community credit unions who responded to ABCUL's recent internal survey reveal the close link between current community credit unions and areas of high poverty. Names such as, South Sheffield C.U. Ltd., Handsworth (Birmingham) C.U. Ltd., Tower Hamlets C.U. Ltd., South London Catholic Caribbean C.U. Ltd., or the Moss-Side & Hulme, Savings Co-Op. C.U. Ltd. of Manchester, and many others. The findings of the only large-scale questionnaire survey so far conducted into British credit unions (Berthoud & Kempson, 1993) indicated that from the 556 credit unions who responded, 14 per cent of the total members were unemployed, 16 per cent were retired, and 24 per cent were housewives. Only 46 per cent of the total members were in paid employment. As for industrial credit unions, many of their current memberships are employed in jobs such

as: postal workers, taxi drivers, nurses, bakers, council employees, fire and rescue services, and the police. Some trade unions have established industrial credit unions through local branches, and the TUC is seeking to expand credit union formation among all its affiliated trade unions.

So, as we can see, a large majority of current British industrial credit union memberships are employed in public sector or general tertiary sector positions. Many of these jobs are situated in the lower regions of the labour market and so the access to credit that their credit union offers can have a tangible impact on their standard of living and their ability to consume. So too for many community credit union members – especially so given the large percentage of those included in Berthoud & Kempson’s research who reported being either retired or unemployed. Therefore, many current British credit union members are among those affected by the structural inequality of reflexive modernity. Moreover, a not insignificant number of existing community credit union members are from groups which are structurally downwardly mobile from the working class of reflexive modernity and are often fundamentally excluded from access to the information and communication structures.

Yet, the credit union development worker attached to a community credit union in Leeds is unconvinced that town-wide or city-wide credit unions will necessarily be successful – especially if the nucleus of these large common bonds is an employee, industrial credit union.

You need the community aspect to have that sense of ownership and to have that sense of mutuality and control. But you need the big employee credit unions to provide the regular income – to get funds and people paying in via payroll

deductions. But I can see problems if you begin with the industry-based credit union and then attempt to move out into the wider community. Because unless you are beginning with the support from within the community, you still have the top-down approach.

The Sheffield credit union development worker made a similar point. But, for her, the key issue was that of trust.

I do not think that the debate on inclusion has been properly addressed. If we are all about challenging social and financial exclusion, then we must not simply concentrate on creating another financial organization. With an industrial credit union the image of the employer itself, not just amongst employees but also in the wider community, must be taken into consideration. A large industrial credit union seeking to include members of the wider community who do not trust it, will probably never achieve the level of inclusion they may wish to have.

Once again the issue of trust assumes a central role in the relationship between the individual members of a credit union. When I asked each of the community credit union respondents whether they welcomed the idea of establishing and developing much larger credit unions, they all spoke of the importance of trust and that, in their experiences, a credit union without trust would not *be* a credit union in the way they understand and believe it to be. We can observe in these responses the strong attachment that these key informants have to their credit unions. But the bases of this attachment differs between the industrial and community examples. From the industrial credit union perspective, the attitudes of many community volunteers are baffling and self-defeating. But this is also how the community activists view their

industrial counterparts. Both 'sides' have a strong commitment to the credit union idea, but for the community volunteers, their attachment to credit unionism has its roots in personal trust, whereas the industrial credit union workers see the idea as having a rational basis. For them, the crux of the issue is one of securing a viable, professional-like credit union model that will enable potential members to have trust in the idea and so seek membership. For the community volunteers, however, this trust must already exist – the credit union simply rests on these existing trust relations for its success. In the language of Shils (1957), the descriptions and experiences of the community credit union volunteers reveal personal primary group characteristics; whereas, the industrial credit union officers display certain distinct ideological aspects. Bringing in Schmalenbach, we can say that it is the community examples of credit unions included here that reveal quite strong *bundlich* characteristics. There is also a tangible *bundlich* character to the elaborations of the industrial credit union officers, but the bases of affect and trust between their individual members would seem to be more diffuse, more rational. This is, in effect, what the credit union development worker described – being both a member of an industrial credit union as well as a community one.

For the Bramley credit union volunteer, the fact that credit unions serving communities are run by community members, is a vital aspect of gaining people's trust. When local people see that fellow community members are responsible for virtually all aspects of the credit union's operations, and, moreover, that this dedication is on-going, it can be a significant influence in their seeking membership, she believes.

I am a Christian, but I much prefer it not to be confined to people who go to church. Which is why I was very pleased that we decided to make our credit union a community-based one because this way we are getting out into the community. They [members of the community] then get trust, through seeing people giving of their time like we've done. I mean, we've still got two-thirds of the original people on our management committee.

The volunteer from the Nelson credit union made the point in this way:

We have a shareholding of about £½ million and assets in excess of £600,000. And we have made about 4500 loans totalling about £4½ million. That is all from people saving together. I borrow from you when you don't need it and you borrow from me when I don't need it. I worked it out that over the years our members have collectively deposited £500,000 between them. And I daresay if they had kept this money in their own pockets, they would have been able to solve some of their financial commitments and problems. But by trusting each other and pooling it together they have effectively turned that £500,000 into £4½ million. And, what's more, that £500,000 is still there waiting to do it all again.

Also, that £4½ million has been pumped into the local fabric of our local community and common bond area. It's painted and decorated, fixed new windows and doors, it's bought cars, bought tools for work, given young people access to money when they start work

6. Credit Unions in the 'Consumer Society'

Considering British credit unions in the light of Bauman's (1998) theories of the consumer society raises important further points around the issue of a different *ethos* being observable between community and industrial credit unions. For those estate-centred or inner-city community credit union members in low-paid or part-time work, those retired, and especially those with no job at all, access to credit union loans may well be a financial life-line, or a means to rid themselves of other, more crippling debt. Even as a member of a credit union, many of these members would hover around the margins, or fall into, the bracket Bauman describes as 'flawed' or 'non-consumers' (1998:83-98). Many will have personal experience of the situation elucidated whereby their relative powerlessness severely limits their choices and opportunities (2001:83-96). And with the precarious but always incomplete 'solitary identity building' that characterizes the consumer society, the boundaries thrown up around these tight common bonds could be viewed in the sense of what Bauman, quoting Friedman, sees as an example of the proliferation of boundaries communally thrown up by afraid and anxious people 'on every new street corner of every declining neighbourhood of the world' (2001:152). The outlook of the Catholic community credit union volunteer is interesting in this respect:

At one time there were 24 credit unions in Bradford. We are now down to about 10. That shouldn't happen because credit unions should be helping credit unions ... It is the secular credit unions, set up in community centres on run-down council estates that have the highest rate of failure. And it's a myth that the big industrial credit unions will help out the small ones. There should be no outsider doing the practical work of running a credit union. There may well need to be a split between the

genuine credit unions and those associations trading as credit unions – those that do not have the community aspect. Let's have thousands of credit unions controlled locally. Bradford could easily have 500 credit unions.

Furthermore, should British credit unions develop along the same lines as their US counterparts, and perhaps most importantly if they were to achieve a 'high street presence' as the Leeds City credit union respondent believes they will, it would be easy to consider them as a means, albeit a co-operative means, of people being able to obtain relatively cheap loans for individualized consumption. Indeed, as Bauman argues, the prime significance of wealth and income has become its ability to further increase the range of individual consumer choice. Moreover,

Hoarding, saving or investing would make sense solely for the promise they hold for the future widening of consumer choice. They are not, however, the options intended for the bulk of ordinary consumers, and were they embraced by a majority of consumers, they would spell disaster. Rising savings and shrinking credit purchases are bad news; the swelling of consumer credit is welcomed as the sure sign of 'things moving in the right direction'. A consumer society would not take lightly a call to delay gratification. A consumer society is a society of credit cards, not savings books. It is a 'now' society. A wanting society, not a waiting society (1998: 31).

However, there is an important characteristic of all credit unions, both in Britain and the US, that stand somewhat counter to Bauman's assertions in this regard. The Nelson community credit union volunteer put it in this way:

One credit union I know has about 80 per cent of its membership unemployed. And when people join the first thing they do is borrow £50 to purchase their share and start their savings off. Then, when they've proved they can pay that off, then they can move into normal operations. If they cannot save, they cannot borrow – but that's true of every credit union.

And so it is. Whether paying in a pound a week or having repayments and savings electronically deducted from their monthly salaries, the vast majority of all credit union members must save *before* they can obtain loans. Indeed, members' savings accounts, going back to the Raiffeisen movement, have been the financial backbone of virtually all credit unions. In a great many examples, members' savings make up the pool of money from which loans can be made. In this respect, in smaller credit unions, if members constantly seek to top up their loans whenever possible, it is quite likely that the loan pool could become periodically dry, or indeed become exhausted. A wider regard than simply for their own individual finances and individual relationship with the credit union must therefore be accepted by the members of the smaller examples. And this regard, this trust, draws the discussion back to a familiar theme. However, the more general point concerning the close relationship between saving and loans in credit unionism would be a revealing area for further specific examination – especially in light of the fact that 1 in 4 of the US population is a credit union member of some kind.

7. Conclusions

In relation to British credit unions at this current stage of their development, Lash reveals that assuming their bases of trust to be 'active' and reflexive ignores the persistent structural inequalities of reflexive modernity. So too, the far more 'traditional' bases of trust that persist. The hesitancy displayed by those respondents involved in community credit unions, and the findings of the Hull study, show that notions of 'economies of scale' and the concerned arguments put forward by those who consider credit unions on a regional or national basis, may have little resonance among potential members and volunteers who invest very personal affective affiliations, beliefs and experiences in the boundaries set by their common bond. For example, one respondent spoke at length about his attempts to forge greater trust between the different ethnic groups living within his credit union's common bond area, and his constant efforts to mediate between the different attitudes and values of those from these ethnic groups who had joined the credit union and yet remained deeply suspicious of each other. And both he and the volunteer from the Nelson community credit union spoke of their coming into contact with informal money lending and saving practices among different ethnic groups that proved an obstacle in persuading them to join the local credit union - whether the 'pardner' system among Afro-Caribbean communities, or the 'hand', or 'kommittee' system among extended Asian families.

To assume then that trust in reflexive modernity is always active and rational would obscure an important characteristic of community-based English credit unions. And the empirical evidence collected from the respondents selected for this chapter's

analysis suggests that this elective association displaying a variety of 'traditional' bases of trust, suggests that Giddens may well have overestimated the extent to which 'active trust' has permeated interpersonal relations – at least among the 'reflexivity losers' of reflexive modernity. He needs to make more explicit the distinction between personal, or affective trust, and the more rational, calculating trust – or at least be more specific as to how the one has or can affect the other.

In a more general sense then, English community credit unions at this stage of their development are best understood as elective associations displaying different bases and varying degrees of affect among members. The examples included in this chapter include common bonds drawn around a single large working class estate, a small town, and religious belief. Some display quite strong bundlich aspects: the advocacy of the Catholic credit union member that his town of Bradford could have 500 credit unions would see a multiplicity of common bonds in a single city ranging from different religions and ethnic groupings to different housing estates and associations. The crucial point being that 'economies of scale' mean little to the respondents from the community credit unions who see mutual identity and the guarantee of trust among members being the cornerstone of any credit union worthy of the name.

In order to develop the analysis of English community credit unions further, and to broaden the discussion in relation to industrial examples as well as in terms of both types being elective associations, it is necessary to consider the relationship between them and the various 'expert systems' that they have come into contact with during their recent history. This will shed further light on the issues and problem of credit union failures introduced at the beginning of this chapter, and develop the general

analysis in relation to Giddens's arguments, Lash's critique of these, and how Lash's own contentions lead the analysis back to the themes and arguments contained in chapter 2 – and to the theories of Schmalenbach (1977), Shils (1957), and Elias (1994;1977) in particular. Shils's extension of Schmalenbach's insights will be especially useful. These are the subjects of the next chapter.

Chapter 6

Expert Knowledge, Regulation and Credit Unions

Introduction

As mentioned at the end of the previous chapter, this chapter considers English credit unions in relation to ‘expert knowledge’ and state regulation. In so doing, Lash’s critique of Giddens is considered further and linked to the general arguments and insights covered in chapter 2. Important aspects of the involvement of local authorities in credit union formations are examined, as is the involvement of the Registry of Friendly Societies – which, until recently, was charged by the state with the regulation of all British credit unions. The imminent involvement of the newly-formed Financial Services Agency as the chief regulator of all existing and future credit unions is also discussed in light of the recently-published findings and recommendations of a Treasury Taskforce that examined the regulation of, and general strategy for, future credit union formations in Britain. The chapter concludes with a discussion on the potential development of the fledgling British credit union movement.

1. 'Lifestyle Enclaves', 'Taste Communities' and '*Hermeneutic Truth*'

However, and as a previous section explained, for Giddens reflexive modernity involves a shift in trust relations, so that trust is no longer based on face-to-face involvement but upon trust in expert-systems. Yet, as Lash points out, Giddens considers that under modernity the 'experts' are the specialists in knowledge and the truth they disclose is *propositional*. That is, unlike the formulaic truth of 'traditional' society which is recognized in its effects, the propositional truth of modernity is only valid by virtue of its correspondence with facts and its support by arguments.

Giddens states that while these expert-systems affect even intimate daily life, they are open to democratic debate and contestation from the lay population, and this creates effective mini-public spheres for the politics of reflexive modernity. These spheres, what Giddens terms the areas of 'life politics', include the politicization of issues such as, gender divisions, biotechnology, and chemical waste – global issues that nonetheless affect people in vary intimate areas of the private sphere. But in applying the model of public sphere politics to what he terms a 'democracy of the emotions', Giddens focuses heavily on the intervention of expert-systems and institutions into the intimate. That is, he focuses much more on the impersonal, the *gesellschaftlich*, the institutional, at the expense of what Lash sees as 'the increasing proportion of social, cultural and political interaction in our increasingly disorganized capitalist world that is going on outside of institutions' (1994: 200).

... I do not think that contemporary emotional relationships are primarily bound up with propositional truth. Surely democratically contested (expert) propositional truths

on sexuality, love, childrearing and gender roles can and do play a positive role in structuring intimate relationships. But another sort of truth might be called *hermeneutic truth*. This 'hermeneutic' or 'narrative' truth is neither *gemeinschaftlich* like formulaic truth nor *gesellschcaftlich* like propositional truth. Like propositional truth it is, however, characteristically modern (1994:200).

In intimate relations hermeneutic truth is based in the construction of a web of shared assumptions and pre-understandings. And Lash considers that hermeneutic truth can also be found in wider 'we' relationships like those found in, what he terms, 'lifestyle enclaves' or 'taste communities', which have sprung up as consumption has become disembedded from the guidance of communal mores but where there are nevertheless shared meanings and often shared practices and obligations.

These communities are reflexive in that: first, one is not born or 'thrown', but 'throws oneself' into them; second, they may be widely stretched over 'abstract' space, and also perhaps over time; third, they consciously pose themselves the problem of their own creation, and constant re-invention far more than do traditional communities; fourth, their 'tools' and products tend to be not material ones but abstract and cultural (1994:161).

[T]hese new communities are hardly 'irrationalist'. They entail a reflexivity that is much more enhanced than that merely on social structures. They entail a reflexivity and understanding of the unthought categories ... of the shared meanings that are the basis of community. They involve in short a hermeneutic reflexivity. And this hermeneutic reflection is not solely a matter of 'choice'. It is partly something to which we are fated by the increased hegemony of the cultural structures (1994:167-168).

There is a strong sense here of Lash's ideas moving into the theoretical territory that was examined in chapter 2. His assertion that hermeneutic truth effectively provides the basis of trust within reflexive communities – truth not reducible to a blunt *Gemeinschaft* or *Gesellschaft* distinction – brings the discussion into an area where ideas concerning elective affinity, elective association, and *bundlich* relations can be placed alongside it. Firstly, as stated above, Lash states that hermeneutic truth is based on a 'web of shared assumptions and pre-understandings'(1994:159), and that these can be found in both intimate relationships and wider 'we' relationships'. Further, Lash believes that the 'lifestyle enclaves' and 'taste communities' that people 'throw themselves into' cannot be considered 'irrationalist', as they entail a 'hermeneutic reflexivity'. As I explained in chapter 2, Schmalenbach considers *Bund* relations derive from mutual sentiment and feeling largely akin to affective social action, or 'affective conduct' as he terms it (1977:111). Moreover, he considers *Bünde* to be reflexive – indeed, as Lash states in relation to 'taste communities', so Schmalenbach argues that *Bünde* are constantly faced with seeking to overcome their inherent precariousness in the face of the difficulty in sustaining an often intense mutual involvement based on feelings actually experienced. The ethos of loyalty, or set of rules, that Schmalenbach considers *Bünde* to need in order to secure some degree of permanent organization, are echoed in Lash through the shared practices and obligations he argues that these new forms of community display. As I noted in chapter 2, Schmalenbach considers that it is through these sets of rules that *Bünde* are effectively transformed into an association with increasing *gemeinschaftlich* and *gesellschaftlich* characteristics.

Secondly, Lash argues that 'reflexive communities' have sprung up as consumption has become dis-embedded from the guidance of communal mores. Whereas, the prominent examples of *Bünde* that Schmalenbach observed in his time were those attempting to counter the dominant trend of rationalization. But as Lash goes on to assert, the hermeneutic reflection that contemporary 'taste communities' and 'lifestyle enclaves' exhibit is not solely a matter of choice but in part arises from the increased hegemony of cultural structures. This is by no means incommensurate with Schmalenbach's more general assertion concerning the constant interplay between the *Gemeinschaft*, *Gesellschaft* and *Bund*, considering, as he does, the temporal aspect of his model to be axiomatic and stating that no law-like tenets are associated with *Bund* as a concept, and that every contemporary or historical example of a *Bund* will bear the stamp of the wider structural conditions under which they arise.

Thirdly, in criticizing Giddens, Lash states that the 'expert systems' thesis overly concentrates on the *gesellschaftlich* aspects of reflexive modernity, in the form of institutional 'expert systems', and their influence in transforming *gemeinschaftlich* intimate relations. Thereby ignoring the new forms of social, cultural and political interaction taking place outside of institutions. It is the new forms of political interaction especially that Bell & Newby (1976) and Hetherington (1998) see as an important aspect of certain contemporary *bundlich* relations. However, we must remember the two forms of *bundlich* relations that Shils (1957) described, and the distinction between personal and ideological primary groups more generally.

Nevertheless, Lash's observations concerning the development of forms of interaction outside of institutions and away from the influence of 'expert systems', provides a useful focus for our discussion on the relationship between contemporary credit

unions and the expert knowledge that has influenced their development. And the first aspect of this we now turn to concerns the involvement in recent credit union formations by local authorities.

2. The Role of Local Authorities in Recent Credit Union Formations

As covered in the previous chapter, given the social position of many current British credit union members, quite a large proportion also hail from social groups who tend to experience problems with debt: whether their creditors are banks, shops, private credit companies or illegal loansharks. The issues concerning high levels of personal debt in Britain and the ability for low-income groups generally to have access to savings and credit facilities have influenced the way in which credit unions have been come to be viewed by various branches of the state and non-governmental organizations. Both the Rowntree Foundation and the National Consumer Council (NCC) have identified credit unions as the most potentially viable form of co-operative finance in a period described as ‘the twilight of mutual institutions’ in Britain (NCC, 1994:41). Indeed, the NCC considers that as the majority of building societies have moved into the mainstream financial sector, the relatively low number of credit unions currently in existence are nonetheless the main form of co-operative financial institution left operating in Britain (NCC/Rowntree Foundation, 1994:14).

A number of local authorities have recognized this potential and have lent not inconsiderable support to the formation and development of credit unions within their areas. In most cases, this support has been motivated by their responsibility to reduce poverty and foster community and economic development, and the support offered

has ranged from free or cheap accommodation, 'start-up' grants and legal assistance, to the direct employment of credit union development workers. However, the strategy of linking community development together with anti-poverty initiatives has proved problematic and many credit unions set up with the assistance of council-employed development workers have struggled to survive or failed altogether. Berthoud and Kempson (1993) have identified several reasons for these problems. Firstly, some local authorities have held unrealistically high expectations of what their development workers, and the credit unions they helped set up, could achieve. The length of time that credit unions often need to become wholly viable and independent has often been underestimated; stable funding and support was not always available to fledgling credit unions, and to those to whom it was, many became overly-dependent on this outside management support and funding. Other credit unions were formed with a distinctly 'top-down' approach that made it difficult to develop the necessary community interest, genuine commitment and sense of responsibility from volunteers. In some cases, development workers were left largely unsupported and were poorly trained, while others were set targets that resulted in them concentrating on the amount of credit unions they could set up rather than focusing on developing a manageable number. As head of ABCUL, Ralph Swoboda has seen the effects of these failed initiatives and considers this approach to be distinctly 'British'.

Too often in Britain credit unions have been organized following a well-meaning credit union development worker who went into a council estate, put up posters and invited people to a mass meeting on credit unions on a Saturday night. You'd get 30 or 40 people show up and at the end of the evening maybe 20 were talked into the idea that if they trained for a year or 18 months, they could form a credit union, make cheap loans and it'd be wonderful. So, they open up with no resources apart from a

set of paper books, no office, no money, nothing to market with and the thing never goes anywhere. 'Top down' credit unions are organized by external activists – the classic social worker in a Volvo driving into the council estate. It just doesn't work.

2.1 The Registry of Friendly Societies and Its Regulation of Common Bond Definitions

Ferguson & McKillop (1997) have however identified a further important contributory factor in the levelling out of total credit union membership numbers. Namely, the imposition of restrictive rules by the credit union regulator, the Registry of Friendly Societies (cited in Ferguson & McKillop, 1997:34). During the course of my interview with the credit union development worker from Sheffield, she spoke about her experience of this and the involvement of some local government-appointed credit union development workers

In the 1990s, money was quite easy to find for credit union establishment but most of it came from local government or other organizations who wanted to see credit unions established in high poverty areas. That's what the brief was. And, in fact, that's how the agency here in Sheffield was set up. Also, at that time the Registry [of Friendly Societies] was quite restrictive in what it would accept as a common bond definition, so credit unions tended to be and remain small – which actually became a problem later on. Many of the smaller credit unions are the ones that have not survived – especially the ones that were set up on small estates. Although I have always felt that credit unions are economic organizations that need to be run on that basis, most people weren't appointed with that kind of background. Many people were appointed

as development workers from an advice or community development background rather than from a financial background.

The volunteer treasurer interviewed from the community credit union in Lancashire also spoke of problems associated with the Registry's application of the common bond rule:

I think the Registry of Friendly Societies has also had a part to play in this internal argument about the common bond. For example, when one credit union I know was seeking to set up in Burnley Manchester Road, the Registry decided that one group of people living on one side of a busy road had no common bond with those living on the other side. And in fact there were letters sent by them asking the steering group how Mr A had a common bond with Mrs B who lived a couple of streets away. The steering group had to supply maps and charts detailing even where the children of proposed members went to school, which library they used, even what fire station would answer any emergency call.

The fact that a large number of credit unions set up under local government anti-poverty initiatives have failed, coupled with the interpretation of the Credit Union Act (1979) by the Registry of Friendly Societies, has added a further dimension to the rift within the British Credit Union movement. ABCUL's report repeatedly stressed how damaging to the movement's public image credit union closures could be.

Furthermore, and as the final section of this chapter considers, the recent history of credit union problems and closures has influenced both the future regulatory environment credit unions will operate in, and proposed changes to the Credit Union Act itself.

Nevertheless, all the respondents from community credit unions stressed that they did not wish to see community credit union formation and development undermined because of recent failures. As long-term volunteers or development workers, the respondents have first-hand experience of the difficulties of forming and establishing a viable credit union (see informant biographies in Appendix I). And all stressed the importance of volunteer training and the long-term commitment that any credit union volunteer must recognize. However, they did not wish to see what they consider to be important aspects of community credit unions being overshadowed by the recent failures. These aspects can be summed up with reference back to the point made by the Sheffield credit union development worker. That is, that credit unions are about 'tons more' than just access to affordable credit.

3. Examples of Credit Union Activities Beyond Access to Credit

One perspective on how credit unions can develop activities beyond just access to affordable credit comes from Rimmer's (1997) study into a project designed to encourage a group of women to become involved in the running of their local community credit union. From her feminist perspective, credit unions have the potential to provide not only an anti-poverty strategy for women, but can also be a source of both social and emotional empowerment. The subjects involved, a group of black and white women from a particularly poor inner-city estate, were all members of their local community credit union – a small, community centre-based example with about 200 members. The estate also had a credit union development officer, who

Rimmer quotes as stating that the biggest obstacle to increased involvement in the credit union by these local women was their own feelings of inadequacy, stemming from their poverty and, in many cases, from the effects of an oppressive or abusive male partner.

The vast majority of my time is not spent teaching accounts and bookkeeping. It is spent trying to convince women they are capable of doing the work. They hear the word 'Treasurer', and they say 'I can't do that, I'm too thick'. I wish I had a pound for every time I've said, 'You can do it, you've brought up three kids and run a household on income support' (1997:29).

As a strategy, the project organizers arranged for some credit union cashiers to visit the places around the estate where the women tended to meet. So, deposits and loans were arranged at places like nursery coffee-mornings and keep-fit classes, and announcements about the credit union were made at more public places, like the local bingo hall. These efforts resulted in 66 new members and increased involvement in the running of the credit union by some of the women. Rimmer states that both membership and volunteering gave the women increased confidence and even modest savings or loans could make a tangible difference to the women's lives – including the first time that some could seriously consider leaving an abusive relationship without fear of even further economic impoverishment (Rimmer, 1997:32).

Rimmer goes on to argue that the women's involvement as volunteer officers of the credit union also ended the 'male domination' of the board of directors and loans committee (1997:33). However, in respect of credit unions more generally, there is evidence to suggest that they are far from bastions of male dominance. No data are

available to indicate the percentages of women and men serving as volunteer officers but a survey of 556 English, Scottish and Northern Irish credit unions by McArthur, McGregor & Stewart (1993) reported that the majority of members were women. In each region the percentage of women members outnumbered male members by a minimum of 60-40 per cent. And, in terms of the total sample size, the ratio of members by gender was 66 per cent women and 34 per cent men (1993:407-408). The majority of the women members were middle-aged or older. Nevertheless, Rimmer's study does show that elective association within a credit union can not only improve a member's financial situation but also raise the consciousness of those involved.

Another example of how, through the common bond, credit unions can develop characteristics beyond those usually associated with financial co-operation, can be seen in the way that the Nelson community credit union also encourages the children of existing members to join. Indeed, this is an aspect of credit unionism that emerged in the early US credit unions. In the case of the Nelson credit unions, although child members cannot borrow until they reach eighteen years of age, the savings they will have accumulated as 'junior members' will allow them to borrow immediately upon achieving full adult member status.

Today we have 1150 members – just short of 200 of these are children. We are not unique in this and there are a number of very good junior sections in credit unions up and down the country – especially in and around Liverpool. This strategy is not just inclusive, it's good sense because you are virtually growing your own credit union. We have about 6 to 10 junior members who transfer into the main membership section every year. Most of them become very good members. We have one member

who was 9 when he joined and is now 27. He has been able to borrow 4 or 5 times to get better cars since he became eligible for loans.

Indeed, the respondent drew a strong parallel between community credit union common bonds and the bonds of family or kin.

I remember reading a newspaper story once about the growth of one particular family. A husband and wife had 11 children who all went on to have children of their own. And over the course of about 30 or so years there were something in the region of 250 members of this one family. I once told somebody from the Registry that this was just about the best common bond I had seen and he agreed. But I said, 'Ah, but it wasn't always like that. At one stage there was only two of them'. That's how a credit union's common bond should grow. From the inside out and not from some arbitrary boundary drawn from the outside.

The primacy of affective trust for this volunteer is evident. For him, the idea that a boundary could be arbitrarily drawn and all those within it would automatically share the trust required for a successful community credit union, is anathema. However, in the light of recent changes to the regulatory environment that British credit unions operate in, issues concerning the organic growth of a common bond boundary that the respondent refers to may well be superseded by the new legislative criteria that will affect every new or proposed credit union formation. These recent developments and the prospects that these may have for the common bond in British credit unions are discussed in the next section.

4. Recent Developments in the Legislative and Regulatory Environment

The issues and perspectives addressed in the previous sections are likely to be affected and influenced by more recent developments in the field of British credit unionism. Specifically, the publication of findings by a 'Task Force' (1999) of the treasury whose remit was to examine ways in which the state could encourage and facilitate the further expansion of the credit union movement. The first important change in the relationship between the movement and the state will be a new regulatory body overseeing the formation and activities of all British credit unions. The Registry of Friendly Societies will hand over this responsibility to the newly-formed Financial Services Agency (FSA) set up under the Labour government (2000). In this respect, the task force recommends a number of changes in the way this new regulatory body can better facilitate formation and growth of credit unions. Key proposals include: (a) allowing credit unions to borrow from external sources, in addition to their existing powers to borrow from banks and other credit unions; (b) permitting credit unions to offer interest bearing accounts; (c) extending the repayment period for loans to seven years in the case of secured lending, and three years for unsecured lending (with some of the larger credit unions being able to extend these periods to 12 years and five years respectively); and (d) the introduction of a share protection scheme so that members' savings and shares are protected in the event of credit union closure, insolvency or financial mismanagement (HM Treasury, 1999:19-42).

The Task Force acknowledges, however, that the introduction of a share protection scheme will necessitate far greater regulation than currently exists. Consequently, it

recommends that only those credit unions judged by the FSA to be well managed should qualify for the share protection scheme. Indeed, it suggests that inclusion in the share protection scheme could act as mechanism for the FSA to confer credit union status on groups of savers who would, without this qualification, be judged as savings clubs – and thus exempt from offering any of the services outlined above (HM Treasury, 1999: 8). The plethora of small community credit unions in Britain come into the spotlight in this regard.

Ideally, CUs would not be allowed to start operating without a membership and prospective savings base large enough to provide a foundation for growth and sustainability. At present the law allows a CU to start with 21 people, with or without money. We are told there is no prospect of legislative change in this area, but we consider that some other mechanism would be desirable, to stop the formation of too many small CUs with insubstantial growth prospects. For example, the FSA might issue guidance to CU organizers; or a central body maintained by the CU movement itself ... which might address the issue through technical advice. The production of an effective business plan, with membership and financial targets consistent with sustainability, should come to be recognized as an essential component of CU start-up (1999:8).

Given that the Task Force report draws on ABCUL's recommendations concerning the efficacy of new credit unions being formed with town- and city-wide membership boundaries, these proposals could have a significant effect on the formation of smaller community-based credit unions if their registration is dependent upon their 'growth prospects'. However, the Task Force does also recommend that existing small credit

unions should be given the opportunity to achieve these benchmarks rather than have their credit union status removed.

The choice of approach to be adopted is dependent on a wide range of factors. In considering the position, we would urge the FSA and the Treasury to keep in mind the desirability of conserving and developing the community credit unions we do have in this country, at least the solvent ones, as an objective in its own right. Effective regulation needs to be sensitive to the principle of proportionality. And it needs to leave room for weaker CUs to grow, rather than threaten them with extermination (1999:8).

Another key recommendation by the task force is the formation of a central body organized by the movement itself. The formation of a credit union central services organization (CSO) would bring the British movement in line with the majority of other credit unions movements throughout the world. And like these other movements, the proposed British CSO would be a single, integrated credit union support system, combining trade association representation, information and training, collective management of credit union liquidity and other business services (p. 10). The report stresses the importance of ensuring the CSO be, and remain, an independent body but suggests that it should receive assistance from other organizations and be awarded public sector funding to provide capital for credit union development.

Along with these recommendations will come the necessary legislative change that will lift the current formal limit on the membership total of any given credit union.

As a result of this, the head of the Leeds City credit union believes that there will be a

significant growth in the field of 'live and work' credit unions. As she explained to me:

There's a terrific movement towards these much larger common bonds. There's a lot already established. Telford and Wrekin Council Employees Credit Union is now 'live and work' in the borough. Its called 'Fairshare', and that's a merger between the employees credit union and the local community ones. Southwark, which was an employee credit union, now serves the whole borough. Tower Hamlets is a new credit union for the whole borough. We now have one credit union for the whole of the Isle of Wight. And I'm working with the group in Shropshire to develop a credit union for the whole of Shropshire – although the population there is about a sixth of the size of Leeds. Ours will be the biggest bond, assuming that the regulator lets it go through, of 750,000. But we have Edinburgh standing on our heels because they are looking at doing it there as well. And Glasgow are talking about it. Nearer to home, in Wakefield, the White Rose Credit Union are looking to expand to take in the health service employees and, eventually, the Wakefield metropolitan area.

5. Conclusions

Despite these views and experiences, it looks likely that any future British credit unions will follow the model recommended by the Task Force, and so any future study into the bases of trust between a credit union's members may well be researching a subject that is characterized as much by its heterogeneity as its commonality. In this respect, Giddens's (1990; 1994) theories concerning trust under reflexive modernity will remain relevant when considering these potentially much

broader associations. One immediate consideration is that all future members of British credit unions will be able to place their trust in the share protection scheme to be adopted by the Financial Services Agency. So, it may develop that the basis of trust between an individual member and their credit union becomes rooted much more in the active trust given to 'expert systems'. In this case, the legal guarantees offered by the relevant state regulatory body. Thus, the trust between individual credit union members and their credit union takes on a distinctly rational character.

Yet, there are also aspects of Lash's ideas concerning the proliferation of 'reflexive communities' that could be tested with respect to the bases of trust that may be apparent in larger, more heterogeneous common bonds. Yet, as discussed earlier in the chapter, the intersection between Lash's ideas and Elias's stress on the importance of affect and emotional bonds, along with Schmalenbach's *Bund* thesis, reveal that utilizing the elective association concept could be particularly revealing in respect of the relationship between future credit union members. It could also prove valuable in analyzing any perceivable difference in ethos between future community and industrial credit unions. Shils's (1957) distinction between ideological and personal *Bünde* may well be particularly useful in this regard. Especially, if we see, as in the case of Ireland, future English common bond demarcations being classified as 'community', 'industrial' and 'associational'. Certainly, studying future credit unions in the light of the social, cultural and political interaction Lash sees taking place *outside* of institutions could throw light on the aspect of 'member loyalty' that the American head of ABCUL referred to in relation to the large US 'live and work' credit unions, for example. It would be interesting to test this if larger English credit unions begin to proliferate. This could be conducted through an examination of

British credit unions with specific reference to their loan default ratios, in order to discover whether the practice the ABCUL president spoke of, where US members often repay their loans to their credit union despite not repaying other creditors, is being repeated here. And, importantly, what *meanings* members attach to this practice.

The involvement of the FSA as the new state regulator of British credit unions, and the likely amendments and changes to the current Credit Union Act that will follow, looks set to have considerable influence in the development of the movement in coming years. Importantly, The Treasury task force report appears not just as a set of recommendations but as notice of a consensus that has emerged among certain key activists, state representatives, leading banks, and other organizations concerning best practice in the formation and development of credit unions for the future. Yet, despite their advocacy that all credit unions should ensure economies of scale, which in terms of the common bond signals a move away from a standard regulatory acceptance of credit unions operating specifically for small groups or particular local areas, larger, more successful credit unions could have a significant impact on the lives of many people – especially those in low paid employment and, at least potentially, those outside the main employment field altogether. The task force report itself refers to government estimations that between 2½ to 3½ million British adults have no banking facilities of any kind (1999:3). Of this number, many are pensioners, younger and older unemployed, long-term sick or those with physical or mental impairment, lone-parent women, and many part-time workers.

Given the current situation in the movement and the wake of the problems and failures associated with attempts to set up smaller, community credit unions, it would seem likely that it is established and fledgling industrial credit unions that will be at the forefront of any significant growth in the British movement generally. The Treasury report highlights the importance of credit unions, especially those with most potential for membership growth, to have a high proportion of waged members. As well as this, it will almost certainly be the larger industrial credit unions that will take the lead in expanding their common bonds to include their towns and boroughs – such as in the case of Leeds City Credit Union. Indeed as the chief officer explained to me, the recent developments may well enable British credit unions to begin working towards offering a similar breadth of services, and a similar level of population penetration as enjoyed by both the Irish and US movements.

This idea about a ‘Universal Bank’ – well, it would be a great deal cheaper to arrange current accounts through existing credit unions than it would to spend millions setting up the new bank. They are having to re-invent the Giro Bank, which they gave away. Our computer system is already sophisticated enough to be able to deal with the kind of data needed for a project like that. We have an electronic connection to the bank so we can accept electronic transmissions in the same amount of time that the bank does. We can clear funds in a day. We are also looking at gaining access to the ATM network because the CSO will do all the back office transactions. Credit union-related issues are going through as part of the Financial Services and Markets Bill, and the new legislation should be in place by October 2001.

As well as the issues highlighted in this chapter, future research into the British credit union movement may well wish to study any attempts to spread the idea into rural

areas of the country, or whether the movement achieves its aims of reaching the types of people mentioned in the Taskforce report. And if, as the report sets as a realistic aim, British credit unions begin to gain a high street presence, the importance attached by some current members and volunteers to their common bond may well diminish or cease to be relevant to those who may join a city-wide or borough-wide credit union in the future. A similar study to that undertaken by Bertoud & Kempson (1993) could prove particularly interesting if conducted, for example, at the end of this decade – especially so if equivalent data were available for Scottish and Irish credit unions as comparison.

However, and as this chapter has sought to show, an analysis of the significance of the common bond in British credit unions reveals the strong notions of affect that can be encapsulated within the boundaries set by the common bond definition. And, moreover, how these affective bonds can influence not only the individual character of particular credit unions, but also be a crucial factor in their willingness to extend their trust to other potential members. Furthermore, I would argue that any future analysis into the development of British credit unions will need to address these issues whatever the bases and characteristics of future memberships may be. As previous chapters and arguments have shown, all elective association displays tangible aspects and notions of *affect*. It is the level or degree of affect involved that remains to be identified and explained by future researchers. In the case of English credit unions, as with all other examples of this elective association, the discovery of these affective bonds is best achieved through an analysis of the common bond.

Chapter 7

Conclusions

Having now presented the three case studies of credit union formations and development, this concluding chapter will draw together the findings and arguments put forward in the previous chapters. In common with the general orientation of the thesis as a whole, the touchstone for these conclusions is Elias's triad of social bonds together with the sensitizing concept of elective association, or *Bund*, that Schmalenbach puts forward as an extension of Tönnies's (1974) *Gemeinschaft/Gesellschaft* schema, and which helps to resolve the dichotomous aspects of this central idea. Shils's (1957) extension of Schmalenbach's insights develops the concept of elective association, or *Bund*, even further and, moreover, provides a useful way of establishing the bases of trust involved in these primary groups.

In the case of the Raiffeisen credit unions, the impetus for their creation was the rising industrial capitalism of western Germany and the transformation of agricultural practice and perogatives this ushered in, which faced the former peasant class who were now the small farmers struggling to feed the growing cities and themselves. What Wolff (1893) observed in his visits to the credit unions formed among these small farmers was the great success that this financial elective association had in enabling its members to, as Weber describes, free themselves from the bonds of

tradition (and the grip of illegal moneylenders) and to capitalize on the peculiar advantage of being effectively labourers who owned their own means of production in the new economy.

Yet, as chapter 3 showed, newly-formed Raiffeisen credit unions had to establish an adequate financial reserve from which to draw the loans that the members required. With rarely any collateral to put up, the honesty and integrity of borrowers was essential, and so these credit unions had to, in Weber's words, rely on the deep 'social visibility' in the different parishes – the strong *gemeinschaftlich* relations between the small farmers in both their personal lives and in the farming operations of their areas. Furthermore, as I argued in chapter 3, the great success of the Raiffeisen credit unions made them quite possibly the best example of the phenomenon Weber observed whereby co-operatives formed among small farmers in Europe actually served to bind these former peasants together and moreover direct their economic thinking away from the blunt economic individualism observable in the growing cities.

It is this aspect, as well as the new communities of husbandry that these co-operatives, and the Raiffeisen movement in particular, created that I have argued points to the *bundlich* nature of the Raiffeisen credit unions, whereby an elective association formed among people with strong affective *gemeinschaftlich* relations fed back into, and influenced, the *Gemeinschaft* from which it sprang. In this case, through creating a distinctly different set of economic relations among its members, whilst at the same time allowing its members to adapt to, and take advantage of, the shifting *Gesellschaft* spreading out from the urban centres to the wider west German society.

Referring to chapter 4, and specifically the case of the credit union idea being introduced to Municipal Council employees in Manhattan from 1914, the reliance on 'character' spoke to values and standards of behaviour observable among people of wider social units than small parishes. Namely, the interpersonal bonds emerging through the developing notion of the 'American worker', whose character and personal morality was judged by their peers through their adherence to frugality and industriousness, and through them living within their means and never borrowing. The borrowing of money was, after all, under these values, not only morally suspect but also regarded as basic economic 'common sense'. In this context, the supporters and apostles of the credit union idea stressed again and again how membership could actually serve to re-affirm a person's standing among their colleagues, neighbours or ethnic group because it would be they who agreed to award the loan and in the process pass favourable judgement on what it was to be used for. This aspect also ensured that the borrower would not suffer the shame of appearing wasteful and reckless with their personal finances, as loans were always to be judged in terms of their productive nature.

Yet, each individual credit union, like the Raiffeisen examples, also had to secure an adequate financial reserve and so the stress on saving, as well as borrowing, was a necessity. Furthermore, this aspect could also be highlighted by activists and supporters as being commensurate with the prevailing economic orthodoxy, as members could be argued to be borrowing on the strength of their 'industrious habits' in relation to regular saving. Those who might need credit immediately upon successful application for membership would receive it based on the strength of their character – as judged, of course, by fellow members.

Moreover, as I argued in chapter 4, early US credit unions, as elective associations, could successfully accommodate the balance and interplay between the *gemeinschaftlich*, *gesellschaftlich* and *bundlich* aspect of American society – and specifically could easily exist and function within the amorphous social structure that developed in tandem with the stress on equalitarianism that pervaded so many aspects of American life. Crucially, membership of a credit union could be reconciled with both the individualist and conformist aspects of the American character: the awarding of loans could ease personal hardship or contribute to a member's sense of individual achievement whilst avoiding the risk of shame from the negative judgement of their friends, neighbours or peers. In this way, early US credit unions could provide members with a locus for both affective and rational trust. Being able to borrow money without the stigma of moral judgement, or placing one's trust in those of a similar status or background, could carry distinct elements of rational trust. But membership could also provide people with a genuine sense of togetherness and belonging, whereby the credit union could be nurtured and held in strong affection by those whose lives may well have been tangibly helped by the access to credit and loans. Furthermore, the early US credit unions formed around shared faith or ethnicity would have displayed strong *bundlich* characteristics, where financial co-operation and the sharing of risk with others outside of the primary group may well have been unthinkable to those involved.

The *bundlich* nature of these early US credit unions is further revealed in the many different groups, communities, faiths and associations that adopted the idea – summed up in Bergengren's statement that the main pre-requisite of membership was 'identity

with the group in question'. And, and we saw, these groups spanned urban and rural areas, ranging from urban co-workers freeing themselves of illegal debts, to communities of small farmers who, like the members of the Raiffeisen movement, used their credit unions as both a source of credit and a centre for the co-operative buying and selling of seeds and machinery. All these elective associations were formed among, and served these different groups – and none had anything to do, directly or indirectly, with anyone outside of them.

In the immediate post-war period, when the economic orthodoxy shifted towards the logic of consumerism, so, as Moody & Fite (1984) refer to, the definition of a 'productive loan' in US credit unions also changed and members increasingly began to apply for loans to facilitate the purchase of consumer items often debarred to them under the formal banking and credit system. The membership base also began to be dominated by salaried employees and white collar workers, and at the same time there emerged a professional managerial aspect to credit union activities as more and more examples began to employ paid staff to oversee their expanding and developing services. The basis of trust in these much larger credit unions necessarily changed as an individual member would likely not personally know the majority of others who also saved and borrowed, but as the head of ABCUL remarked, strong membership loyalty among contemporary US credit union members is a common trait. However, the foundations of the US credit union movement were set in the hundreds of groups, communities, factions and faiths who, through elective association bounded by their common bond, saved together and borrowed from each other. And membership in a credit union could sit easily in the 'I-and-we' consciousness of these Americans, both in terms of their standing in the *Gemeinschaft* of their daily face-to-face relationships

as well as their standing in the wider *Gesellschaft* of US society and the individual industriousness and conformist frugality it demanded of them.

As the US credit union movement has developed, so the common bond aspect has taken on less significance and come to refer to, in most cases, those living and/or working in the same town, city or borough. So too, the general philosophy of the wider US movement, is now encapsulated in more general values and aims of providing affordable loans, mortgages and insurance to those for whom low pay or unemployment means often being excluded from banking facilities and formal credit systems – summed up in CUNA’s mission statement ‘Not for profit, but for service’. It is these values and principles, along with the US movement’s considerable long-term success in providing an increasing number of financial services to its members, that provide an influential example, through the work and influence of the World Council and CUNA, to other emerging or developing credit union movements around the world, and especially in the West.

In the case of the English credit unions studied, despite the observed trend for an increasing number of personal life projects being built around consumer choice rather than work, the borrow-now-to-spend-now credit logic that Bauman (1998) argues is a key characteristic of the ‘consumer society’, is not mirrored in the relationship between English credit unions and their members. As was the case with the Raiffeisen system and remains so in the US movement, each member must commit to a course of saving, both in order to contribute to the credit union’s reserves and in order to provide each individual member with their own ‘reserve’, against which their personal loans are guaranteed and which determines the amount they can borrow at

any one time (to the maximum loan the credit union itself can award set by the Credit Union Act). But also, like the credit unions in the other two cases, individual English credit unions can and do lend money to new members – assuming their character is judged to be worthy of the trust this entails. Indeed, this is an aspect of credit unionism in general that has not changed since its inception, despite how the changing values and standards of behaviour surrounding the management of personal finances have done. This confirms the initial observations that were made in the opening section of Chapter 3, in that credit unions have shown a remarkable ability to mould and attemper themselves to changing circumstances and environments.

Analysis of the English case also reveals that despite perceived changes in the bases of personal trust that Giddens argues characterize this stage of modernity, credit union common bond definitions encapsulate far more ‘traditional’ bases of trust, be they rooted in a sense of place and shared history, or based on a shared religious faith or shared ethnic background. The empirical data from the credit unions studied supports Lash’s criticism of Giddens for focusing too heavily on the *gesellschaftlich* aspects of reflexive modernity, thereby missing the shared meanings, practices and obligations that characterize a host of wider ‘we’ relationships that have emerged outside of institutions but are not reducible to a *Gemeinschaft* conception. Giddens’ stress on trust that calculates the balance of benefit and risk has more in common with rational trust than that which is born of tradition, shared beliefs, or *bundlich* relations.

As I argued in chapter 6, Lash’s ideas in respect of ‘reflexive communities’ and ‘hermeneutic truth’ lead theoretical reflection towards the boundaries of the *Gemeinschaft/Gesellschaft* schema. If, as he claims, a host of contemporary forms of

social, cultural and political interaction are not reducible to the *Gemeinschaft/Gesellschaft* continuum, then the ideas and arguments covered in chapter 2 are of distinct relevance. Indeed, the close proximity of Lash's observations of, what he terms, 'lifestyle enclaves' or 'taste communities', to the observations and arguments of those theorists covered in chapter 2, is quite striking. As I argued in that instance, bringing these different descriptions and observations together, whether termed 'neo-tribes', 'taste communities', or 'symbolic communities', within the general orientation of Schmalenbach's *Gemeinschaft/Gesellschaft/Bund* triad (or, community/association/elective association), one can examine shared meanings, practices and obligations within many different types and examples of elective association both contemporary and historical. Shils's extension of Schmalenbach's concept both enriches the development of elective association theory, and serves as a guard against assuming the bases of trust and attachment are always the children of affect. But, as Elias stresses, to ignore the importance of affective bonds in any figuration serves only to obscure sociological observations and thus adequate explanation.

From the data gathered from secondary source research and respondent interviews, this stage in the development of English credit unions, characterized by a rift between community and industrial examples, not only has its roots in issues concerning credit union failures as a result of poorly conceived anti-poverty initiatives or community regeneration projects, and direct credit union-related issues concerning strategic development of the idea in British society, but also of equal significance from the perspective of those interviewed is the issue of trust among members and how that trust is inseparable from the common bond shared by them. And so, despite the

significant shift in structural conditions from a predominantly producer society to one ruled by the ethic of consumption, the significance of the common bond among examples of this elective association is still observable. However, at this stage of their development, British credit unions are characterized by strong affect-based notions of trust and belonging in some community examples, and more diffuse affective bonds with distinct elements of rational trust in the industrial examples researched for this study.

In the new regulatory environment that future English credit unions will operate in, it is uncertain whether the common bond aspect will maintain its significance. Should the norm become much wider common bond definitions, like the borough-wide boundary recently adopted by the largest English industrial credit union, any analysis into the common bond aspect will need to take account of this and frame the examination accordingly. As previously mentioned, Giddens's argument concerning the relationship between personal trust and expert systems could have application in this regard. A similar approach in respect of the US movement may also prove interesting. But there are also over 30 other credit union movements around the world, operating in both advanced industrial societies and less developed countries, each operating within their respective cultures and under particular structural conditions – and each espousing the importance of the common bond aspect.

What this thesis has sought to show is that in three cases of credit union formation and development, occurring at different historical times and under different social and structural conditions, this form of elective association, despite operating as financial co-operative, has nevertheless displayed and relied on the purely affective bonds

existing or formed between its members. Any future sociological study into this elective association must therefore take account of this important characteristic. And, as an inquiry into a social phenomenon considered as an elective association, this study of credit unions has shown the importance of revealing and accounting for the bases of affect that will be present in other examples of sociality that fall within this underused but valuable concept.

Appendix

Thesis Methodology

Introduction

The core of this research project has been the focus on credit union formation and development from the point of view of social bonding and social identity. This focus was selected in order to examine and reveal the significance of credit unions' emphasis on the 'character' of their members in relation to application for membership and in the awarding of loans, and the more general notions and bases of affect encapsulated in the common bond definition. As laid out in the introductory chapter, the main theoretical approach employed in this analysis is grounded in the Eliasian concept of social bonding within a figuration (1978). Applying the Eliasian triad of social bonding (political, economic, and affective), supplemented with the use of concepts from Schmalenbach (1977), Bauman (1999), de Swaan (1988) and Giddens (1990), the study employs secondary source research and in-depth interviews with respondents in an attempt to reveal the emotional infrastructure of credit union movements in different contexts. These contexts, it is argued, result in large part from the particular 'common bond' requirement that individual credit unions stipulate as a pre-requisite of membership. As the introduction to the thesis explains, a pre-existing

'common bond' is a formal, and often legal, requirement of credit union formation and has remained a fundamental aspect of the worldwide movement's philosophy since its beginnings in Germany and, later, the United States, and Britain.

In this respect, and as laid out in detail in the thesis introduction, the use of the case study method in analyzing three examples of credit union formation and development was selected as a useful strategy in examining the significance of the common bond aspect. If the common bond aspect could be shown to be a significant contributory factor in the success of this elective association and, moreover, this was so among credit unions formed in different historical periods and under different structural conditions, then it would establish that any sociological analysis into this form of elective association would need to give adequate attention to it

Initially, the fact that many examples of credit unionism have stressed the importance of a pre-existing 'common bond', also revealed that attempts to form a congruent understanding of this social phenomenon could prove problematic if it were to rest on sociological categorizations based upon, for example, notions of working class 'self-help'. The 'common bonds' that credit unions have formally recognized have no specific class, ethnic, gender, religious, or political boundary. Yet, all these conceptual 'variables' can be observed in different strengths and degrees within the boundaries set by credit unions' common bond definition. Yet, despite the many different common bond definitions that credit unions draw, the rules of credit union activities and operational philosophies are in all cases very similar. As covered in the thesis introduction, and notwithstanding particular legislative limits or requirements, the 'Standard Rules' of credit unions in Britain, Ireland, and North America are

virtually identical (www.woccu.org, 1998; Irish League of Credit Unions, 1993; www.abcul.org, 2001). The fact that process sociology frames three, and four dimensional theoretical models which give equal importance to political, economic and affective human social bonds, convinced me that this approach is best suited to an examination into this particular social phenomenon. Furthermore, and in common with a key aspect of process sociological enquiry, it is hoped that the use of these small social units as a focus of analysis will aid in the development of studies into problems one can also encounter in larger and more differentiated social units. In the study of credit unions it is possible to explore these issues and problems in some detail. And, moreover, it is hoped that this study can act as a small-scale explanatory model of a universal figuration – a model ready to be tested, enlarged and if necessary revised by enquiries into related figurations on a larger scale.

The Use of Respondent Interviews

In the early stages of the research process when conducting preparatory field-work and negotiating access to respondents, I attended a credit union seminar organized as part of the public sector trade union UNISON's 1997 annual conference. Several credit union activists gave talks as part of the seminar and the first speaker, the then chief officer of ABCUL, began his talk by saying: 'I would like to introduce you all to the co-operative movement's best kept secret'. In terms of Britain especially, his words have been borne out by the often quite difficult process I undertook to gather relevant applicable data in relation to a sociological analysis of this social phenomenon. In general, relatively little has been written about credit unions –

certainly from a sociological perspective. In this respect, the use of respondent interviews was decided upon at a very early stage of the research process, yet this aspect of the research design was applied only to the analysis of British credit unions. From the studies undertaken as part of the research design process, it became clear that the very virtue of qualitative interviews is their openness (Mason, 1996; Spradley, 1979; Denzin, 1989). Partly as a consequence of this, no standard techniques or rules exist for an interview investigation based on unstandardized qualitative interviews. Yet, while the absence of a prescribed set of rules creates an open-ended field of opportunity for an interviewer's skills, knowledge, and intuition, there are nonetheless standard choices of methods at the different stages of an interview investigation. From my reading and in order to frame a considered interview strategy, I selected Kvale's method (1996) of a 'seven stage' route for interview investigation and have laid out the following discussion using that model.

- (i) *Thematizing* – formulating the purpose of an investigation and describing the concept of the topic to be investigated.

The main theme of the interview process was an exploration of the affective undercurrents that might lay behind different definitions of the common bond requirement from the respondent's point of view. In the early stages of the research design, a strategy was considered whereby individual members of British credit unions would be interviewed in order to test the forms and shades of emotional bonds that I expected to be present. In this respect, and in consideration of sampling, I sought to establish the different bases of common bond that currently exist in the British movement, with a view to select a representative sample of members from

these different examples. However, very early on into the preparatory field-work stage, when I was seeking and negotiating access, I attended an ABCUL conference and through various initial discussions with activists became aware of a contentious debate going on between representatives and activists of community-based credit unions and their industrial-based counterparts. A debate, moreover, that was centred on the common bond aspect. This debate, this rift, was described in detail in Chapter 5.

As a consequence, and after discussions with my supervisors, I re-drew my research strategy in order to examine the basis of this rift, and why it seemed to revolve around the common bond aspect. Nevertheless, I felt it remained crucial to the thesis that proposed respondents have a strong involvement in their particular credit union, in order to be able to 'tap' into the affective undercurrents that I wished to examine. The strategy I decided upon sought to resolve this by selecting a strategic sample (Mason, 1996) of key informants from within the movement who were involved in, and represented, different sides in the debate. Key informants, nonetheless, who had a strong and long-term involvement both with their individual credit unions and the movement more generally. I also decided to interview 2 respondents who had come into credit union activism through professional recruitment rather than as a volunteer officer, in order to provide a balance in terms of more detached observations and feelings, both at the level of individual credit unions and the wider movement. In practical terms, this strategy was also felt to be an acceptable compromise between obtaining a valid sample and the resources available to me for the study.

- (ii) *Design* – Planning the design of the study with regard to obtaining the intended knowledge and taking into account the moral and ethical implications of the study.

After a period of negotiating access and making contact with potential respondents, I drew up a strategy based on the responses of 7 key informants sampled from a range of different credit union examples and perspectives from within the movement currently operating in Yorkshire and Lancashire. These key informants were:

- a) The American male director of ABCUL. This respondent has been a key figure in the recent history of British credit unions for several reasons. He studied for a law degree at the University of Wisconsin and specialized in credit union-related law, both at the state and federal level. Later, he was chief executive officer of CUNA Mutual for 8 years. His tenure as ABCUL's director had seen him involved in many aspects of the British movement, bringing to the position the experience and perspectives of many within the US movement. He was also ABCUL's representative on the Treasury Task Force, whose findings and recommendations were covered in Chapter 5.
- b) The female chief officer of Leeds City Credit Union, the largest industrial credit union in terms of members currently operating in England. This respondent had begun her involvement with credit unions as a volunteer, who, along with her partner and a few friends had set up a credit union at the local government offices where she worked. It was this council-employee credit union that had grown and developed into a credit union for all public sector employees working in the Leeds

borough. In May 2001, Leeds City Credit Union extended its common bond definition even further, so that it is now open to all those living and/or working in the Leeds metropolitan area. This respondent had also become involved and committed to ABCUL and the movement more generally, and at the time of my interview with her was the head of the Yorkshire Chapter of Credit Unions.

- c) A female volunteer-treasurer of a community credit union with about 200 members based and operating in the Bramley area of Leeds. This credit union, initially formed among the Christian congregation of a local church had extended its common bond to include all those living on the surrounding council estates. Like the previous respondent this volunteer had helped set up her credit union and had represented it at several ABCUL and related credit union conferences and meetings.
- d) A male volunteer treasurer of a Catholic church-based credit union operating in the Guiseley area of Bradford. This respondent had also been involved in his credit union from its formation, but this credit union was only open to people who were part of the regular congregation at three local Christian churches. This respondent was also active in the debate within the movement and was in regular correspondence with other like-minded community credit union volunteers and activists.
- e) A male treasurer of a community credit union based in Nelson, Lancashire. This credit union had originally been set up in a local Catholic church but had extended its common bond definition to include those living in Nelson and its immediate

environs. As a result, the credit union had 1100 current members. This respondent is well-known throughout the British movement and was mentioned several times by other respondents during the course of the interviews.

- f) A female credit union development worker responsible for credit union development and volunteer training in the Rotherham area. Initially employed by the local council, this respondent had helped set up the credit union development agency in Rotherham that now operates largely independently of the local government.
- g) A male credit union development worker employed on a fixed-term contract by a community credit union operating in the Harehills area of Leeds. This respondent's remit was to help facilitate the merger of three small community credit unions into a single example serving the residents of the eastern area of the city.

The interview method employed was the semi-structured (Mason, 1996), or the non-schedule standardized (Denzin, 1989), interview. In this respect, I set out a loose interview format, based on the key topics and types of questions I wanted to ask. As no detailed account or written history of British credit union volunteers' and/or activists' experiences was found in any of my literature searches, I wanted to gain a better understanding of their activities, as well as wanting them to reveal the affective bases of their perspectives on the current rift within the movement. Therefore, for each interviewee, I anticipated following up lines of enquiry specific to their circumstances that I would not be able to anticipate in advance. This was done by

drawing up a number of general questions on different aspects of their work and involvement, supplemented by a series of secondary prompt questions, in order to discover more on the key issues and questions with which my research was concerned. My aim was to, on the one hand, generate data which gave some understanding of surface patterns within the British movement (and by this I mean gain some appreciation of what working with and participating in credit unions is actually like), but also to achieve a depth and roundness of understanding in respect of the forms and shades of affect observable in different examples of credit unions currently active.

iii) *Interviewing* – Conducting the interviews based on an interview guide and with a reflective approach to the knowledge sought.

In practice in the field, all the respondents were found to hold definite views on the causes of the rift, and how, in their opinion, it should be resolved. This awarded me a useful flexibility during the interview process, as with such passionate views being held and expressed, I had relatively little difficulty in drawing out the affective aspects of each interviewee's point of view. Each of the member volunteers, for example, appealed to their own successful credit unions as the working embodiment of their perspective and beliefs. However, although I felt I had developed a conceptual and theoretical understanding of the phenomenon I was investigating (through my work into elective association and the primacy of affect involved), I was still faced with relatively sparse knowledge of British credit unions specifically. And so the interviews also had an exploratory aspect to them. In this respect I would often follow up on the subject's answers and seek new information about and new angles on

the topic as they arose. In this way I hoped to both develop knowledge about different examples of British credit unions and generate a data set on the specific cases to illustrate the more general phenomenon.

When considering the ethical dimension of my field-work, I was aware that any researcher must take account of ethical guidelines in respect of informed consent and confidentiality. And so, I offered each respondent anonymity in respect of reporting their attitudes and feelings. None of the interviewees expressed a desire to remain anonymous. Indeed, the respondents from the community-based credit unions were keen to have their views and experiences known, as they felt that these had been largely overlooked in the debate surrounding the future direction of the British movement – certainly in respect of ABCUL's internal report and how certain media coverage had taken its findings and recommendations at face value. All the respondents interviewed also mentioned and spoke about 'rumours' they had heard; 'stories' about certain individuals in the movement. One respondent even showed me correspondence between her credit union and ABCUL, pointing out what she saw as unnecessarily harsh and patronizing language. 'Proof', she believed, that 'they' want to get rid of little community credit unions. Indeed, all the respondents from the community credit unions spoke in terms of 'us' and 'them' when referring to industrial credit unions and ABCUL. The contracted credit union worker also mentioned this aspect, and explained that opposition to what was seen as ABCUL's agenda was one of the few times that the different ethnic groups represented in his credit union were in agreement with one another. However, although I have always been fascinated and intrigued by Elias and Scotson's (1977) findings in respect of the 'gossip streams' they tapped into during the course of their field-work, I did not feel

that this would be entirely ethical when reporting the attitudes and feelings of key informants. Furthermore, I felt that revealing the affective bases of these respondents' involvement with their credit union, and the wider movement, would provide an understanding of the values and beliefs held by them without risk of including statements or comments in the analysis that would be inappropriate or possibly contentious – at least in the absence of reliable independent verification.

In general, I utilized my loose interview format by viewing my script of questions as non-sequential. That is, I tended to draw on different themes and prompts in relation to the specific context of the interview in progress. In one interview, for example, just at the moment when the respondent was talking freely and quite passionately about his common bond and the importance of it from their point of view, he was called away to answer the telephone, and were gone for some time. When he returned, I decided to ask another, more standardized question, in order to encourage the respondent to, as it were, 'relax' back into the interview situation, rather than pick up on the explicit line of response he was engaged in before the interruption. Having a list of these 'mini-tour' questions (Spradley, 1979) was very useful. Spradley describes 'mini-tour' questions as those which are identical to 'grand tour' questions – that is, questions that are designed to reveal the respondent's experiences and attitudes – but seek to discover smaller aspects of their experience. As an interview strategy, I found them a very useful way of 'breaking the ice' and relaxing the informant into the interview situation. And, moreover, tended to elicit atypical responses rather than recurrent, routine ones.

In another interview, the respondent had his small child present during the whole interview and, not unsurprisingly, would have to turn his attention to the child whenever needed. This meant that the entire interview was punctuated by small interruptions and pauses, and so the 'mini-tour' questions were again a useful strategy. However, this meant that at the transcribing stage, and especially when coding and analyzing the data, this interview was the most difficult to piece together with the informant's speech and explanations often stopping mid-sentence, or pausing for a while and beginning again with 'What was I saying?'.

iv) *Transcribing* – Preparing the interview material for analysis.

I taped all the interviews I carried out and transcribed them from speech to written text using the IBM *ViaVoice* 98 speech recognition software.

v) *Analyzing* – Deciding, on the basis of the purpose and topic of the investigation, and on the nature of the interview material, which methods of analysis are appropriate for the gathered data.

As van Krieken (1998) discusses in his concise introduction to Elias' work, there has been some criticism of Elias in respect of achieving methodological detachment (1998: 160-163). Indeed, one of Elias' main collaborators, Eric Dunning, is quoted as saying that figurational sociologists must devote more attention to the connection between Elias' concepts of involvement and detachment and the practicalities of

social research (1998:163). In the early stages of my research, I had an e-mail exchange with Jason Hughes of Leicester University concerning his method of data analysis for his Elias-inspired Ph.D thesis. Hughes explained that he had framed his interviews in light of gaining, as it were, a 'macro' picture of changes, in this case, of tobacco use since the sixteenth century. From here, his interview technique revolved around asking respondents to describe how their experience of smoking had changed as their use continued. He then went through each interview transcript discerning as many themes as possible. When the number of themes had, as he said, reached 'saturation point', these were then examined in relation to insights gained from the first stage of his research – through a cross-fertilization of the different components of the study – until he was able to discern a very similar overall 'direction' to the themes he elucidated from the transcript data, to those he had identified in the first stage of research.

I felt that Hughes' approach was not dissimilar to certain areas of concern to my study of credit unions. The theoretical orientation applied in this case also contains a 'macro' element. Specifically, the tracing of the development and widening of credit union activities in Germany and the United States, and an examination of historical and contemporary documentary evidence into these elective associations, with a focus on the importance of the 'common bond', coupled with the interviews conducted with organizers and members of the fledgling British movement with a focus on the significance of the common bond in these.

In respect of my data analysis, therefore, I adopted the technique of 'pattern coding' (Miles & Huberman, 1994). Pattern codes, under this technique, are explanatory or

inferential codes that identify an emergent theme, configuration, or explanation. At the first stage, data is organized into 'first-level' codes: simply, a device for summarizing segments of data. Then, pattern coding enables the researcher to group those summaries into a smaller number of sets, themes or constructs. In practice, this amounted to me looking for recurring phrases or common threads in informants' accounts, or for internal differences that I or the informants had noted.

Initially, the first-level codes came under headings such as: 'The debate/rift within the movement'; 'Influence/involvement of Local Government'; 'Influence/involvement of Regulator'; Basis of common bond; Attitudes to State involvement/legislation; and so on. Then, with reference to Miles & Huberman's discussion (1994), I delved further into the data to establish four summarized pattern codes. These were: Themes; Causes/Explanations; Relationships/Affect; and Emerging Constructs. In this way, I was able to move from the broader first-level codes to the more conceptual pattern codes which would become the main focus of the analysis, and back again. Cross-checking and re-coding earlier data, if necessary. For example, in this way (and aided by my supervisors), I was able to draw out, from the rather loose initial pattern code labelled 'Personal pronouns' coming under the Relationships/Affect heading, more coherent and analyzable data. I did this by going back to sections of the interviews where the respondents had spoke in terms of 'our credit union', 'my beliefs', 'we think the best common bond is ...', and so on, and grouping these expressions of affect into analyzable emergent constructs as 'faith', 'established/outsider relations', and 'trust'.

- i) *Verifying* – Ascertaining the generalizability, reliability, and validity of the interview findings.

From my general research, I was aware that empirical generalizations cannot be supported by qualitative sampling strategies. But, theoretical generalizations can be supported by theoretical and strategic sampling (Mason, 1996, May, 1997). As I covered in a previous section, my sampling strategy was based on a research design that sought to explore aspects of current British credit unionism so far unreported and analyzed, and to reveal the affective bases of various common bond definitions in order to aid the process of theory development and testing in respect of this elective association. In conventional methodological terms, I had utilized cross-sectional analysis in making comparisons across the whole of my data set, around certain specified themes. And then had selected specific comparisons to test out developing explanations using a more holistic analysis.

The claim I make states that through a strategic sample of key informants, an analysis into the bases of trust that members have in both their credit union and their fellow members, reveals the significance of affective notions and motivations that can be encapsulated in the common bond definition. However, this is not to say that the degree or form of affect is the same in all cases, and different members may attach different meanings and values to their common bond in different cases. Nevertheless, and in common with the analyses into historical cases of credit union formation and development, the common bond aspect plays a significant role in the activities of the community credit unions examined for this study and therefore any future qualitative

sociological research into this elective association must consider the importance of affective motivations when formulating hypotheses into this social phenomenon.

ii) *Reporting*

The preceding discussion and elaboration of the methods employed in the interview process, and the findings therefrom laid out in the relevant chapters of the thesis, make up the seventh stage of Kvale's (1996) interview investigation model.

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