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"From the Secretary's Desk to Main Street: Change and Transition in the British Columbia Credit Union Movement, 1936-1960"

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*Historical Papers / Communications historiques*, vol. 22, n° 1, 1987, p. 212-229.

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DOI: 10.7202/030972ar

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# From the Secretary's Desk to Main Street: Change and Transition in the British Columbia Credit Union Movement 1936–1960

IAN MACPHERSON

## *Résumé*

*From its founding in 1936 to roughly 1960, the credit union movement in British Columbia focused on the financial emancipation of lower-income British Columbians. As such it was one of a number of similarly inspired institutions, which included adult education centres, cooperatives, trade unions and the CCF.*

*In spite of the existence of Canadian prototypes — the *caisse populaire* movement in Quebec and, what inspired the BC credit unions in the first place, the Antigonish movement in Nova Scotia — the BC experience generally followed the American model. The first experiments in cooperatives date to the 1860s, but early efforts were sporadic and uncoordinated. Started initially in 1932 by Vancouver's Army of the Good and encouraged by, among several organizations, the CCF, credit unions were given legal standing late in 1939. Once authorized, these institutions expanded rapidly; 139 were established before the end of the war. They answered a felt need to promote savings and encourage the responsible handling of cheaper levels of credit.*

*By 1960, however, the British Columbian credit union movement was reaching the end of its emancipatory stage and had drifted far from its roots. Initially founded on the economic populism of the Antigonish movement, it absorbed many of the organizational techniques and some of the conservatism which characterized the American movement.*

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*Depuis sa fondation en 1936 jusqu'à 1960 environ, le mouvement en faveur d'un syndicat du crédit en Colombie britannique s'est concentré sur l'émancipation financière des citoyens à faible revenu. Il se rangeait ainsi aux côtés de nombreuses institutions aux aspirations communes, comme les centres d'éducation des adultes, les coopératives, les syndicats et la CCF.*

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The author acknowledges the assistance of Jennifer Molony and Diane Morris for assistance in statistical research.

*Même s'il existait au Canada des prototypes — le mouvement des caisses populaires au Québec et, ce qui inspira en tout premier celui de la Colombie britannique, le mouvement d'Antigonish en Nouvelle-Écosse — l'initiative de la Colombie britannique a généralement suivi le modèle américain. Les premières expériences de coopératives datent des années 1860, mais elles avaient été précédées par des initiatives sporadiques et sans coordination. Fondé en 1932 par le Vancouver's Army of the Good, avec l'appui notamment de la CCF, le mouvement fut légalement constitué à la fin de 1939. Une fois l'autorisation obtenue, les établissements se multiplièrent rapidement. Dès avant la fin de la guerre, 139 avaient été mis sur pied. Ils répondaient à un besoin réel, celui de promouvoir l'épargne et d'encourager le recours judicieux à de meilleures conditions de crédit.*

*Vers 1960, cependant, le mouvement atteignait la fin de son évolution et se retrouvait à mille lieues de son point d'origine. D'abord inspiré par les principes d'économie populistes du mouvement d'Antigonish, il avait emprunté le cadre du mouvement américain et en reflétait quelque peu le conservatisme.*

In 1986 the British Columbian credit union movement celebrated its fiftieth anniversary. In general, it had much to celebrate. Its total membership had reached 970,000;<sup>1</sup> its assets had grown to \$6.7 billion;<sup>2</sup> and, with the sale of the Bank of British Columbia to the Hong Kong Bank, it had become the main regionally owned financial institution. Indeed, with 286 locations owned by 131 credit unions throughout the province,<sup>3</sup> it had become the most widespread financial institution in British Columbia. During the summer, it sponsored the United Nations pavilion at Expo '86 and, in the autumn, undertook significant steps in building effective technological links with other credit union systems across the country.<sup>4</sup> In the same year, it developed major programmes aimed at improving the effectiveness of its nearly one thousand elected officials and 3,750 employees. From a social perspective, several credit unions and many credit union leaders were involved in community economic development in different forms;<sup>5</sup> Vancouver City Savings Credit Union assigned \$1 million to foster the development, on sound financial principles, of worker cooperatives and other community-based economic organizations;<sup>6</sup> the same credit union also developed Canada's first ethically conscious mutual fund;<sup>7</sup> and most credit unions were significantly involved in community charitable and social programmes.

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1. British Columbia Central Credit Union, *Annual Report*, 1986.

2. Ibid.

3. Ibid.

4. Because of its historic rivalries and lack of unity, the British Columbian movement had three data systems by 1986. Late in the year, negotiations were commenced to bring two of them together under the control of the Co-operators Insurance Company.

5. The Nanaimo and District Savings Credit Union, the Salmon Arm Credit Union, the Westminster Credit Union and, particularly, C.C.E.C. Credit Union were four agencies with different but effective programmes in community economic development.

6. Vancouver City Savings Credit Union, *Annual Report*.

7. Ibid.

Despite this prominent position within the contemporary British Columbian economy, the credit unions are not as conspicuous in analyses of the province's economic and social development as one might expect;<sup>8</sup> nor is their role in the province's history well understood. This paper examines the first phase of credit union activism in British Columbia, the period from the movement's inception up to 1960. It argues that this period was a distinct phase in the history of British Columbian credit unions, a phase characterized by a concern for the emancipation of lower-income British Columbians.<sup>9</sup> This emphasis developed from the general philosophy of cooperative banking as it had emerged in Europe and North America, and it was encouraged by the social activism of cooperative leaders in British Columbia during the period under consideration. This "emancipatory" philosophy, aimed at freeing people from the bondage of debt and generational cycles of poverty, was transmitted throughout the province by a series of distinct, but in many instances, interrelated networks, including adult education circles, cooperative organizations, trades unions, and the Co-operative Commonwealth Federation.

From its North American beginnings in Quebec as the *caisse populaire* movement, cooperative banking spread to the United States at the end of the first decade of the twentieth century. Relying heavily upon the financial support of Edward A. Filene, a wealthy Boston merchant devoted to helping men and women "live an expanding economic life,"<sup>10</sup> the American credit union movement spread rapidly throughout the United States, particularly its industrial cities. In 1921, with Filene's assistance, credit union leagues in the United States organized the Credit Union National Extension Bureau in Boston under the leadership of Roy Bergengren. Over the next decade the bureau developed a distinctive approach to credit unionism, an approach that would find its way to British Columbia during the late 1930s and 1940s. The first priority in the bureau's approach was the development of appropriate legislation, followed by the organization of "sample" credit unions, the development of chapters on a regional basis, and the formation of leagues on a state and provincial level. To support this structure, the bureau (which became the Credit Union National Association in 1934) established CUNA Mutual Insurance Company in 1935 and CUNA Supply Co-operative a year later. The former organization insured loans made to members by credit unions, a profitable business that provided a valuable service to the credit union movement; the Supply Co-operative provided printing services to league, chapter, and local credit unions and bulk-purchased supplies for member organizations. By the early 1940s the American credit union system was dynamic and expansionist, one of the models that would be commonly imitated in British Columbia.

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8. For example, despite the impressive size of the British Columbia movement there are no comparable studies to C. Purden, *Agents for Change: Credit Unionism in Saskatchewan* (Regina, 1980), A.E. Turner, *Forging the Alternative: A History of the Alberta Credit Union Idea* (Calgary, 1984), and R. Kenyon, *To the Credit of the People* (Toronto, 1976).
  9. The term "emancipatory" is drawn from the approach to credit unions pioneered by the Co-operative Studies Programme at the University of Vienna.
  10. R.F. Bergengren, *Credit Union North America* (New York, 1940), 94. For a more scholarly history, see J.C. Moody and G.C. Fite, *The Credit Union Movement, Origins and Development, 1850-1970* (Lincoln, 1971).

Somewhat ironically, it was this American-based credit union movement rather than the Quebec-based *caisse populaire* movement that sparked the formation of credit unions in English Canada. Although there were some experiments with cooperative banking during the nineteenth century and the Ontario government passed legislation to regulate credit unions in 1922, the first serious, significant interest in credit unions within English Canada emerged first in Nova Scotia during the early 1930s. This interest was stimulated by the Department of Extension of St. Francis Xavier University, and all three of its major leaders — Jimmy Tompkins, Moses Coady, and A.B. MacDonald — were early converts to the possibilities of credit unions as teachers of thrift and catalysts for local economic development. Following the passage of the provincial credit union act in 1932, the men and women of the Extension Department were largely responsible for the creation of 182 credit unions throughout the province by the end of the 1930s.<sup>11</sup> During the same period, they began carrying their message and organizing techniques to other provinces in Atlantic Canada and, indeed, westward to the Prairies and British Columbia.

The Antigonish approach to credit unionism had broad objectives and a distinct philosophical base. The founders and fieldworkers of the Extension Department were essentially adult educators committed to community development. As such they proposed a kind of economic populism which advocated that: (1) economic organizations could be operated essentially on democratic principles; (2) broad segments of the people could be educated to take an interest in, and could operate, economic organizations effectively and profitably; (3) capitalism, by its structure and lack of social concern, was exploitive and dictatorial; (4) the cooperative method of operating businesses and providing services was capable of nearly indefinite extension; and (5) democratic systems were the best ways to harness technological change for the common good.

Beneath this economic populism rested a strong philosophical base derived essentially from liberal Catholicism. Moses Coady, the director of the Extension Department from its formation in 1929 until his death in 1959, was its best-known advocate. The starting point for this philosophy lay in recognition of the ultimate significance of the life of individual human beings. Just as the Christian religion is concerned with the salvation of individual souls, so economic structures must be based on individual activism and self-realization. Consequently, for Coady and his supporters, economic democracy was a corollary of Christian individualism; it was only through having control over their economic lives that individual men and women could escape exploitation and achieve genuine freedom. For Coady and his followers, therefore, economic cooperation was implicit in Christianity.<sup>12</sup> Moreover, the tools to achieve the goal of economic cooperation were essentially those of the preacher: exhortation, the call to service, the quest for salvation, and the concept of trusteeship.<sup>13</sup>

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11. Ibid., 249.

12. For more complete studies of Coady's philosophy, see A.F. Laidlaw, *The Man from Margaree* (Toronto, 1971) and A.F. Laidlaw, *Campus and Community: The Global Impact of the Antigonish Movement* (Montreal, 1961).

13. See, in particular, Laidlaw, *The Man from Margaree*, ch. 11.

## THE BEGINNINGS OF THE BRITISH COLUMBIA MOVEMENT

This approach to credit unionism found a receptive audience among some groups in British Columbia. There had been experiments with cooperative organizations in the province as early as the 1860s.<sup>14</sup> During the twentieth century, a sizeable marketing cooperative movement had emerged among farmers on Vancouver Island, in the Fraser Valley, in the Okanagan, and in the Peace River Country.<sup>15</sup> Fishermen in Vancouver, on Vancouver Island, and along the coast, particularly Prince Rupert, had organized five major fishing cooperatives.<sup>16</sup> In addition, there had been numerous cooperative stores established by farmers, miners, and industrial workers over the years; by the 1930s about twenty survived but, because of the economic problems of the Great Depression, there was widespread interest in creating more. While not all of these groups were amenable to the broad vision of economic populism and cooperative philosophy emanating from Antigonish, many were, and generally it was these groups, particularly in the consumer and fishing cooperatives, that provided much of the leadership for the early credit union movement in British Columbia.

Early interest in credit unionism in the 1930s focused on Vancouver; the Army of the Common Good was a major example of its spirit. This group was patterned on a similarly named organization in Pennsylvania, and it was influenced by the writings of Upton Sinclair, the activities of the Natural Development Association in Salt Lake City, and the Llano Colony in Louisiana.<sup>17</sup> It was, in part, a job-creation programme and, in part, an attempt at utopianism within an urban setting. Organized in 1932, the Army of the Common Good grew vegetables on a large farm near Ladner, cut and sold firewood, organized craftsmen and carpenters for building projects, sold handicrafts, and operated clothes-repair shops.<sup>18</sup> While the exact membership of the army is not known, it reportedly had fifteen hundred members by early 1933 and it may have numbered thirty-five hundred at its height in the late thirties.<sup>19</sup> In 1932 the army organized a cooperative store in Burnaby and it was operated — as were many of the activities of the army itself — on the basis of a labour exchange system in which members traded script representing hours of work for the army for food from the co-op.<sup>20</sup> During the mid-1930s the leaders of the army — especially D.G. Macdonald, A. Bingham, B.S. Walton, and Arthur Wirick — envisioned a large urban collectivity, self-sufficient and

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14. *Victoria Colonist*, 9 July 1866.

15. See M.A. Ormsby, "Agricultural Development in British Columbia." *Agricultural History* (1945): 11-120.

16. See A.V. Hill, *Tides of Change, A Story of Fishermen's Co-operatives in British Columbia* (Vancouver, 1967).

17. See Vancouver City Archives, Common Good Co-operative Papers.

18. *Ibid.*, untitled manuscript by A. Bingham.

19. Canada. National Archives, Co-operative Union of Canada Papers, vol. 158, C.G. Co-operative Association.

20. Vancouver City Archives, Common Good Co-operative Papers, untitled manuscript by A. Bingham.

cooperatively managed. Not surprisingly, therefore, the Army of the Common Good embraced credit unionism in the mid-1930s, particularly the variant espoused by the leaders from Antigonish.

Politically, the Army of the Good contained people with a wide variety of viewpoints, ranging from peaceful anarchism and communitarianism through social democracy, religious reformism and liberalism. The army was never explicitly active in politics, but many of its members were associated with the Co-operative Commonwealth Federation. Many CCF leaders, particularly Dorothy Steeves, a member of the provincial legislature, had a strong following within the army, and she was herself very interested in cooperative enterprise. Consequently, as the army studied credit unions extensively during the 1930s, the CCF embraced the idea of credit unions, and in 1936 Dorothy Steeves introduced a bill, drawn largely from the Nova Scotia act, which would have allowed for the incorporation of credit unions. Because Steeves was a member of the opposition, and there was as yet relatively little support for credit unionism in the province, her bill was not passed.

The army, however, organized an unregistered "credit unit" to accept deposits, pay interest on them, and extend loans. The small success this organization achieved helped to popularize the idea of credit unions. Just as importantly, many British Columbians began to learn about credit unionism elsewhere. A few from British Columbia visited Antigonish;<sup>21</sup> George Keen, general secretary of the Co-operative Union of Canada, distributed pamphlets and articles on credit unions through cooperative circles in the province; parish groups within the Catholic church organized study clubs to examine credit unions;<sup>22</sup> and trades unionists learned about credit unions from their brethren in the United States.

As interest in credit unions grew in British Columbia, the government was forced to act. Several enthusiasts, drawn from the Common Good Co-operative, the Co-operative Wholesale, the fishermen's cooperatives, and the Department of Extension at the University of British Columbia organized the British Columbia Credit Union Association to promote the local development of the movement. Following the pattern established in the United States and in eastern Canada by credit union promoters, the association concentrated upon securing an adequate legislative framework. Early in 1938 a committee from the association presented a rationale for the value of credit unions and a draft bill to government representatives. The government adapted this proposal to sections of several other acts, the British Columbia Society's Act, the Co-operative Association's Act, and the British Columbia Company's Act, to provide for a type of financial institution that would be associated with chambers of commerce in communities across the province. This rather ludicrous bill was promoted at

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21. Arthur Wirick was one of these; see *B.C. Credit Unionist* (November 1941): 7 and 12.

22. For example, see British Columbia Central Credit Union Archives, interview with J.F. Grant by M. McTiernan and J. Schroeder, 8 March 1977.

public meetings of the chamber by Pitcairn Hogg, a prominent lawyer hired by the government. Representatives from the Credit Union Association attended these meetings and, after asking pointed questions about some inconsistent sections in the act, the tour was cancelled.<sup>23</sup>

Finally, late in 1939, a credit union act, derived largely from the original submission from the association, was passed. This legislation followed in the pattern established by CUNA for the numerous acts developed for states and provinces as well as the federal act in the United States. After establishing the legal process under which credit unions could be organized, it provided for the essential democratic features of one member–one vote, the supremacy of the annual and general meetings, elected boards of directors, elected supervisory committees, and the possibility of elected credit committees. It provided for closed-bond credit unions based on work or associational relationships and for open-bond, community-based credit unions. It also set out rules governing loans, including limits on personal loans, the loan approval process, restrictions to “provident or productive” purposes, repayment rules, and the establishment of reserves.<sup>24</sup>

The importance of legislation in the development of credit unions can scarcely be underestimated. Since few leaders within local credit unions had experience in operating business organizations, the legislation had to provide sufficient direction — and be adequately enforced — to ensure that accurate records were kept, that good loan policies were followed, that sufficient reserves were made to offset losses, and that sound procedures were used by the various committees. Under section 42, the provincial government — specifically the inspector of credit unions, an employee of the Department of the Attorney-General — was charged with the responsibility of undertaking an annual inspection of all credit unions. The regulations accompanying the act, along with the terms of the act itself, gave the inspector extensive powers and, under some conditions, complete control over credit unions. The inspector, for example, had the right to suspend those credit unions which did not provide him with required information or were operating in a frivolous manner. Credit unions in difficulty were required to submit extensive reports and had to have all major decisions approved by the inspector’s office. In such cases the inspector could stop further deposits, restrict loans, or limit interest payments. In short, the legislation made the inspector the policeman and the deposit protector for the province’s credit union system.

Once passed, the legislation and its accompanying regulations made possible the rapid organization of credit unions throughout the province. The first credit union to be incorporated was in Powell River, the result of efforts by the town’s Catholic priest

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23. Ibid., interview with Gordon Holtby by J. Schroeder and M. McTiernan, 20 September 1977.

24. For a detailed, generalized summary of the legal theories on which credit union acts rested in the 1930s, see R.F. Bergengren, *Credit Union North America*, chs. 5 and 6.



and trades unionists in the local mill.<sup>25</sup> By the end of World War Two, 139 credit unions, with nineteen thousand members and \$1,767,000 in assets, had been organized.<sup>26</sup> Several different networks were utilized in developing these credit unions. About one-third of the credit unions formed in this period were closed-bond, employee-based credit unions,<sup>27</sup> with the largest grouping of these being among government employees at all levels, federal, provincial, and municipal. Credit unions were also organized by employees in various manufacturing firms, including workers in the electric, pipefitting, railway, neon, furniture and farm supply industries. Approximately twenty credit unions were organized by religious and national/ethnic groups including Germans, Danes, and French-Canadians — most commonly, within Roman Catholic parishes. These “closed-bond” credit unions were almost inevitably successful, because most had known, established salary bases, and all could exert significant social pressures upon delinquent borrowers.

From a marketing perspective, the success quickly achieved by credit unions is explained by the fact that they serviced a clientele — the low-income saver and borrower — rarely well served by banks, trust companies, and finance companies. Moreover, in addition to the informal networks — trade unions, farm groups, cooperative circles, and public servants — that had helped forge the early growth of the movement, there were four supporting institutional frame-works which provided significant assistance to emerging (or established but troubled) credit unions during World War Two and, more particularly, afterwards.<sup>28</sup> The first of these was the Extension Department of the University of British Columbia. In 1937 a delegation of leaders from the province's fishing cooperatives had approached the university for assistance. Under the leadership of Gordon Shrum, then the acting director of Extension, the university was successful in securing a series of grants from the federal Department of Fisheries which allowed it to operate several courses on cooperative and cooperative-related issues in many British Columbian communities in 1939 and during most years in the 1940s.<sup>29</sup> In January of 1939, the university brought J.D. Nelson MacDonald, a fieldworker from St. Francis Xavier University and a Protestant minister, to Vancouver to offer a short course on cooperatives, including credit unions.<sup>30</sup> In the 1939–40 academic year, the Extension Department invited two other Antigonish fieldworkers, A.S. McIntyre, a former miner and trade union leader, and Norman MacKenzie, another Protestant minister, to develop cooperatives, particularly among fishermen. Largely as a result

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25. British Columbia Central Credit Union Archives, interview with A.R. Glen by M. McTiernan, 23 January 1978.

26. Statistics provided by the Economics Department, British Columbia Central Credit Union.

27. It is impossible to be as precise as one would like to be about the number of the various types of credit unions that were formed because the records of the superintendent's office consulted for this paper do not always clearly indicate the basis for the “closed bond.”

28. During World War Two travel was difficult and expensive. This meant that the three support groups could not carry out the tasks they were able to undertake after the war.

29. See G.M. Shrum, “Among Canada's West Coast Fishermen,” *Journal of Adult Education* (October 1940): 2–3.

30. See J.D.N. MacDonald, *Memoirs of an Unorthodox Clergyman* (Truro, 1986), 67–70.

of their efforts, credit unions were started among fishermen in Vancouver, on Vancouver Island, and along the coast, particularly in Prince Rupert. Subsequently, the Extension Department continued to offer courses specifically on cooperatives and, indirectly, courses that were useful to cooperative leaders on such topics as bookkeeping, running meetings, and sociological issues. A series of individuals, including Breen Melvin and John K. Friesen, were associated with these activities, particularly in the late 1940s and throughout the 1950s, when the ties with the credit union movement remained strong. This association was significant not only in Vancouver, but in other parts of the province as well, because in those years the university's Extension Department embraced a wide mandate which took its fieldworkers into the interior and into northern communities.<sup>31</sup>

The second key institutional support was the British Columbia Credit Union League, created in 1940 when the B.C. Credit Union Association was accepted as a member of the Credit Union National Association in Madison, Wisconsin. As they were formed, nearly all the credit unions in the province joined the league, which soon became recognized as the organization which spoke for the provincial movement. The league was structured in the same way as leagues in other Canadian provinces and in American states. It published its own magazine (in this case called the *B.C. Credit Unionist*) which provided advice to directors and committee members, reported on happenings at CUNA and within other leagues, and commented on developments within the provincial movement. The league also ran a large convention which was held at different locations each year and was devoted to key issues and a series of educational workshops. In addition, it fostered chapters in regions to bring together groups of credit union leaders, usually from about twenty credit unions, to discuss common problems and to learn from each other's experiences.

In 1943 the league leadership organized a central credit union despite the objections of the inspector, who believed that the movement was too immature to sustain a central financial organization.<sup>32</sup> "The Central" was patterned on a similar Saskatchewan body, the Saskatchewan Co-operative Credit Society. Its main purpose was to take surplus deposits from member credit unions and to lend them out to credit unions in need of funds. While achieving this objective might have seemed easy when the Central was formed, it did not prove to be so. One reason for the Central's early problems was that credit unions located outside the Lower Mainland did not find it easy to deal with the Central; another was that the Central had difficulty accumulating sufficient funds to operate a continuous business. The second main area of activity was developing a way in which the Central could operate a cheque-clearing system for the province's credit unions. As local credit unions were developed, including the Central, they made arrangements to deposit and move their cash through the chartered banks. Consequently, credit unions used several banks in their financial structure, a complex picture that

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31. Interview with John K. Friesen by Ian MacPherson, 29 October 1985, and interview with K. Harding by Ian MacPherson, 8 August 1986; both are in the author's possession.

32. British Columbia Central Credit Union Archives, interview with Gordon Holtby by J. Schroeder and M. McTiernan, 20 September 1977.

was not simplified until 1951. In that year the Central was able to negotiate a secondary cheque-clearing arrangement with the Bank of Commerce which allowed members of credit unions to disburse their funds through "negotiable instruments" recognized at all banks.<sup>33</sup>

The last institutional guides for the British Columbia credit unions in the early years were the two organizations associated with CUNA in the United States. During the early 1940s several local credit unions leaders attended league meetings in Washington and Oregon, and some began to attend the national CUNA conventions.<sup>34</sup> In 1943 organizers from the Oregon movement started to come north to assist in the formation of credit unions in British Columbia.<sup>35</sup> Largely because of these contacts, CUNA Mutual, with its programme of insuring member loans, became widely supported among the province's credit unions. Similarly, CUNA Supply Co-operative gained a wide measure of support for its sale of business forms, deposit slips, statements, and membership forms. While it is not now possible to document the support that CUNA's companies received, it would appear that the two companies earned their strongest support among closed-bond, employee-based credit unions, generally the kind of credit unions that tended most strongly to support the CUNA connection elsewhere.

## THE ISSUE OF COOPERATIVISM

Almost from the beginning the British Columbia movement was divided into two camps. One tended toward the ultimately majoritarian, conservative wing of the American credit union movement, while the other was oriented toward an emerging, more nationalistic, more reformist Canadian movements. The picture is made complex because neither the American nor the Canadian movements was monolithic and clearly defined issues were often lost amid the personality clashes which beset both national movements during the 1940s and 1950s. The first split of this type occurred in the United States as Roy Bergengren's career drew to a close during the early 1940s. Never a particularly efficient manager, Bergengren, as head of CUNA, came under attack from the leaders of CUNA Mutual for his inefficiencies. Perhaps just as importantly, the CUNA Mutual leaders, especially Thomas Doig, were concerned about Bergengren's deeply felt support for all kinds of cooperatives and his general reformist sympathies.<sup>36</sup> Many American credit unionists linked cooperatives — at least in their socially active formations — with American cooperatives in Minnesota run by Marxists, social democrats, and left-wing liberals.<sup>37</sup> Consequently, they eschewed cooperative activism and believed credit unions were no more and no less than a particular kind of bank. It was

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33. Ibid., interview with J. "Rip" Robinson by J. Schroeder and M. McTiernan, 2 June 1976.

34. See *B.C. Credit Unionist* (June 1942): 4.

35. British Columbia Central Credit Union Archives, interview with A.R. Glen by Miriam McTiernan, 23 January 1978.

36. For a fuller discussion of this controversy see J.C. Moody and G.C. Fite, *The Credit Union Movement*.

37. British Columbia Central Archives, interview with A.R. Glen by M. McTiernan, 23 January 1978.

an issue that divided the American movement for years, but in the course of the 1940s and 1950s the conservative perspective came to dominate, on occasion even overwhelm, the reformist wing.<sup>38</sup>

In British Columbia, as in other Canadian provinces, a similar debate continued throughout the 1940s and 1950s, and it manifested itself in several different ways. The Common Good Co-operative spawned many of the leaders who dominated the provincial movement in the two decades, including Gordon Holtby, Charles Darling, Wes Darling, and D.G. MacDonald. Because of their association with diverse cooperatives and their involvement in community economic development, these leaders were committed to the idea that credit unions should be the financial hub for a broad cooperative movement embracing consumer, producer, manufacturing, and housing cooperatives. They were encouraged in these ideas by most of the early representatives from Antigonish, particularly A.S. McIntyre and Norman McKenzie. Similarly, the literature which came westward from Antigonish reinforced this approach, as did A.B. MacDonald on his western tours after he became general secretary of the Co-operative Union of Canada in 1944. Consequently, a new generation of credit union leaders began to emerge by the late forties committed to the "big picture" of credit unions as the linch pin in a cooperative reformation of society. Included in this generation were Farley Dickinson, R. "Rip" Robinson, George Viereck, and A. "Rod" Glen, all key individuals in forcing the pace of change in British Columbia credit unions for several decades.

The first issue that divided the "co-operativists" from the pragmatists was the creation of the Central. This was largely a project embraced by the former group, which saw it as a multipurpose organization that would include cooperatives and would be involved in lending to cooperatives. This approach was not welcomed by CUNA and its local supporters.<sup>39</sup> The Central was nevertheless organized, and it did contain cooperative members although it did not immediately have the funds to loan to them. Within three years, however, it was lending to the Fishermen's Co-operative Federation, a relationship that greatly benefitted the Central, particularly during its early, rather difficult, years when funds were scarce. Indeed, the Central might not have survived without the federation's business.<sup>40</sup>

The second provincial issue which created tensions within the movement occurred at the 1946 Powell River League convention. Health insurance was a major issue of the day, brought to the fore by the efforts of the Saskatchewan CCF government to find a way to ensure minimum health care for everyone. A number of cooperative/credit union leaders wanted to establish a private insurance programme — the government

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38. See J.C. Moody and G.C. Fite, *The Credit Union Movement* for a fuller discussion of the issues.
39. Interview with A.R. Glen by Ian MacPherson, 27 August 1979; this is also in the author's possession.
40. Interview with K. Harding by Ian MacPherson, 8 August 1985; British Columbia Central Credit Union Archives, interview with J. "Rip" Robinson by J.K. Schroeder and M. McTiernan, 2 June 1976.

was not interested in a state-financed approach — to insure adequate health care on a cooperatively based, service-at-cost, approach. The result was the formation of C.U. and C. Health Services, an innovative and almost immediately successful health insurance programme. Its creation, however, further intensified the divisions between the cooperativists, who saw it as just one more step along the road to a fully cooperative economic system, and the pragmatists, who viewed it as a diversion from the essential purposes of credit unions.<sup>41</sup>

The most divisive issues, however, came to British Columbia from the other Canadian provinces. During the late 1940s and early 1950s, groups of cooperative/credit union leaders in Saskatchewan and Nova Scotia, and to a lesser extent in Manitoba and Ontario, envisioned the creation of a united national financial system for English-Canadian cooperatives. Many of them, such as A.B. MacDonald, A.F. Laidlaw, H.A. "Red" Crofford, "Harry" Fowler, and Ralph Staples, wanted to organize national, or at least regional, life insurance, general insurance, trust and credit union companies owned on a national cooperative basis or by cooperative organizations.<sup>42</sup> This approach was much resisted by supporters of CUNA, including J.D. Nelson MacDonald in Nova Scotia, Gordon South in Ontario, and Al Nicholas and Jack Burns, both from British Columbia.<sup>43</sup> Nevertheless, despite the opposition, cooperative life, fire and casualty insurance, and cooperative trust companies were created and expanded between 1946 and 1952. Significantly, though, in British Columbia support came from Prince Rupert's Fishermen Co-operative, B.C. Co-operative Wholesale Society, local cooperatives and some credit unions; it did not come (except indirectly) from the league and the B.C. Central Credit Union.

The "CUNA Debate" was not resolved during the 1940s. In fact, as McCarthyism aroused Americans generally to communist threats, real and imagined, some CUNA leaders became increasingly suspicious of the left wing of the British Columbia credit union movement. Most of their concerns came to focus on A. "Rod" Glen, the dynamic cooperative leader from Nanaimo. First introduced to the credit union/cooperative movement while in Powell River when its credit union was being formed in the late 1930s, Glen became almost instantaneously a key credit union leader in Nanaimo when he moved there in 1948. Serving first on that credit union's board, he became its president in 1950.<sup>44</sup> A powerful orator, an effective politician, and a dreamer, Glen was

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41. Ibid., interview with Gordon Holtby, by J. Schroeder and M. McTiernan, 20 September 1977.

42. For descriptions of these developments see three books by I. MacPherson, *The Story of C.I.S.* (Regina, 1974), *A History of the First 25 Years of the Co-operative Trust Company of Canada* (Saskatoon, 1976), and *Building and Protecting the Co-operative Movement: A Brief History of the Co-operative Union of Canada* (Ottawa, 1984).

43. British Columbia Credit Union Archives, interview with R. "Rip" Robinson by J. Schroeder and M. McTiernan, 2 June 1976.

44. Autobiography of A.R. Glen, in the author's possession.

convinced that a "cooperative commonwealth" could be built on earth. He was elected to the board of the B.C. Credit Union League in 1951, and he was arguably the most effective supporter on the board for the broad approach to cooperative/credit union development.

Glen became involved directly in national and international issues in 1954 when he attended a meeting of provincial credit union leaders in Winnipeg. There, he and his fellow representative from British Columbia were virtually ostracized because they had come from a recent BC credit union convention that had passed a motion in favour of Canadian trade with mainland China, an action that had antagonized the fiercely anticommunist CUNA leadership. During the next year, Glen, who had been elected as the province's representative to the CUNA annual meeting, found that he would not be able to cross the border because of supposed radical connections (Glen was and had been a strong supporter of the Co-operative Commonwealth Federation, and was rumoured to become a candidate in the next provincial election).<sup>45</sup> In fact, Glen had been investigated by two RCMP officers, as had several other members of the league board, presumably at the instigation of Canadian supporters of CUNA or perhaps indirectly by CUNA itself.

Glen ultimately did manage to enter the United States in time for the convention, but he did not take with him a high regard for the American leadership. He walked into a storm. CUNA Mutual, just as it had done a few years earlier with Roy Bergengren, was challenging Tom Doig, managing director of CUNA, charging him with poor business practice and lax leadership. Doig was spared a public embarrassment because he shortly thereafter found out he was suffering from terminal cancer, but the struggle did not end.<sup>46</sup> Glen became identified with the anti-CUNA Mutual group at the convention and, as a result, representatives from the company, whenever they visited British Columbia, lobbied local credit unions to replace Glen and other "leftists" on the league board. In fact, the CUNA relationship became the cause of several bitter feuds that badly disrupted the BC movement during the 1950s, particularly in the later years of the decade.<sup>47</sup>

Because of their decision, Glen became one of the Canadian leaders most determined to develop an independent national credit union system. In 1957 he was largely responsible for the writing of the "Winnipeg Declaration," a document that emerged from a meeting of credit union leaders in that city. It called for the creation of a national organization which would speak for the Canadian cooperative movement. The intent was to create a Canadian "CUNA," a national league that would complement the

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45. Interview with A.R. Glen by Ian MacPherson, 27 August 1979.

46. British Columbia Central Credit Union Archives, interview with A.R. Glen by M. McTiernan, 23 January 1978.

47. Interview with A.R. Glen by Ian MacPherson, 27 August 1979.

national financial body for credit unions, the Canadian Co-operative Credit Society, which had been formed in 1953.<sup>48</sup> One year later, the National Association of Canadian Credit Unions (NACCU) was formed.

NACCU never fulfilled the high-profile role Glen and others envisioned for it, but symbolically it was the culmination of the struggles waged by the nationalist, cooperatively oriented wing of the BC movement. This wing had played a crucial role in the establishment of the movement in the province, and had maintained considerable strength throughout the forties and fifties as, indeed, it would for the next two decades. It was a resourceful group, committed to populist economics, steeped in the philosophy best defined by the Antigonish movement, and committed to making credit unions something more than an alternative bank. In the emancipatory phase the members of the group, particularly the Darlings, "Rod" Glen, George Varick, and D.G. Macdonald, played significant roles.

### THE PROBLEMS OF RUNNING A BUSINESS

In order to emancipate the common man — and woman — credit unions had also to function as effective businesses. Between 1945 and 1958 the credit union movement grew rapidly (see Table 1).

Table 1

Year	Number of Credit Unions	Membership	Total Assets
1945	139	19,027	\$ 1,676,412
1946	139	19,027	1,416,764
1947	141	30,296	4,116,845
1948	158	37,667	7,045,334
1949	169	44,827	10,092,892
1950	182	52,805	12,767,043
1951	195	61,863	16,345,355
1952	212	73,809	22,209,921
1953	238	87,347	27,697,064
1954	259	106,669	33,903,865
1955	290	125,425	40,546,124
1956	308	140,339	50,849,052
1957	321	161,596	62,413,138
1958	318	180,434	78,986,303
1959	326	193,663	94,875,066
1960	326	205,380	107,120,145

Source: Economics Department, B.C. Central Credit Union.

48. See C. Purden, *Agents for Change*, 116–17 and passim for the best (albeit very brief) account of the formation of the Canadian Co-operative Credit Society.

Two reasons largely explain this growth: organizing a credit union was regarded as a right and, therefore, incorporation was relatively easy; and American precedent had indicated that even very small credit unions could survive profitably. Indeed, CUNA and its associated companies promoted new credit unions whenever and wherever possible. CUNA established a Founders' Club for those individuals who successfully organized credit unions, and membership was regarded as a high honour.<sup>49</sup> Moreover, enthusiasm for credit unions developed rapidly throughout the province through the various networks — social, economic, and political — that had helped create the provincial movement in the first place.

The rapid increase in the number of credit unions placed considerable pressure on the inspector's office. Annual investigations of the credit unions became a major, time-consuming task for Tom Switzer, who was the inspector between 1945 and 1960, and his staff. Inspection meant an annual visitation to each credit union, a physical review of the books, at least a "spot-check" of some loans, an analysis of loan procedures, and an evaluation of the functioning of the board of directors and the key committees. Many of the reports carried out in those years — and apparently all the reports from the later years — have survived and they provide a useful insight into some of the business problems credit unions were encountering.

Several basic changes were happening to credit unions in those years. While most credit unions remained voluntary organizations with management provided on an unpaid basis by directors and committee members, many (the exact number cannot be determined) began to hire staff on a part-time basis. Similarly, while many credit unions continued to operate from company offices, church basements, and private homes — in effect, the secretary's desk, wherever it might be — some were beginning to move into separate facilities. As the years passed, too, credit unions, operating through banks and, increasingly, the B.C. Central Credit Union, began to utilize the equivalent of cheque-clearing services and to undertake term investments, either in banks or in the BC Central. All of these activities placed new demands on credit unions, particularly their boards and committee members. The extent of the problems created by these changes is revealed, at least in part, by the superintendent's records.<sup>50</sup>

Based on a review of 1,150 annual inspections of 130 credit unions over a fifteen-year period, the most common problem, not surprisingly, was in the loan-making process. The problems in lending are suggested by the following:

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49. Interview with A.R. Glen by M. McTiernan, 23 January 1978.

50. One must be cautious about reading too much into the inspector's reports. Obviously much depended on the competence and biases of the inspectors. There is some indication that inspectors were particularly harsh on some credit unions and, even in the early years, there was always debate over what the inspectors should examine. Nevertheless, there were patterns in what the inspectors reviewed and some consistency in what they reported. While not complete, the reports offer the best insight into how credit unions operated.



FROM THE SECRETARY'S DESK TO MAIN STREET

<b>Problem</b>	<b>Number of Cases</b>
Inadequate security	297
Loans approved without committee approval	237
Loans without notes	205
Inadequate loan applications	143
Faulty loan procedures	105
Unregistered mortgages	40

One important factor in understanding these problems in lending is that many credit unions, particularly the smaller ones, made loans entirely on the basis of character, not net worth. In fact, it was precisely that ethos that helped to make credit unions popular in the early years;<sup>51</sup> that the system worked is attested to by the fact that the credit union system prospered and no one lost his or her deposits. One problem was the fact that lending was done essentially by volunteers even in many of the larger credit unions before 1960. Despite the educational efforts of the league, CUNA representatives, and the inspector's office, many volunteers did not learn how to carry out the written requirements of lending well, even though their judgement of borrowers was frequently excellent.

The inspector's office was nevertheless harsh on evaluating the work of volunteers, as indeed it should have been. Of the 1,150 inspections examined, the volunteers were found to be delinquent in the following areas:

<b>Weakness</b>	<b>Numbers</b>
Unsigned documents	346
Supervisory Committee's work unsatisfactory	133
No Supervisory Committee minutes	106
Inadequate Board minutes	102

While some of these cases were probably not as serious as one might expect, the number of cases reported suggests that volunteers in several credit unions were having difficulty in keeping abreast of the documentation and procedural requirements that were viewed as their responsibilities.

The inspector's office also explored a number of structural problems within the credit unions. Again, probably because of the reliance on volunteers, 407 of the inspections revealed problems with balancing, most of them apparently minor. Another sixty-six

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51. The early issues of the *B. C. Credit Unionist* repeatedly emphasized that need and character were the key criteria on which credit unions should lend; ability to pay was assumed if need was great enough and the borrower's character was held in high repute by the people who knew him or her.

cited problems with concentrated lending to a few members, a problem that appears to have been more serious among community credit unions. There were 130 cases of loan delinquency beyond 10 per cent of assets, a point which allowed the inspector to intervene more directly in the credit union's affairs. In practice, the inspector exercised judgement in these cases depending upon the situation and the extent by which the 10 per cent figure was exceeded. By the late 1950s, however, the number of credit unions closely controlled by the inspector varied between twenty and thirty, a rather large number which suggested a major problem to both the inspector's officers and the more conservative leadership.

In addition to these more general problems, credit unions encountered some specific difficulties. Conflicts between boards and the secretary-treasurer (as the manager was usually called) created trying situations, particularly if he or she borrowed from the credit union.<sup>52</sup> Other credit unions, sometimes with encouragement from the inspector's office, embarked on building programmes which proved to be too expensive.<sup>53</sup> A few credit unions became involved with loans to cooperatives,<sup>54</sup> some of which proved to be difficult but none of them crippling.<sup>55</sup> In fact, there is no evidence in the records that any of the credit unions lost money on their loans to other types of cooperatives. A more common problem was in auditing the books, and by the middle of the 1950s the inspector was recommending that all credit unions with assets exceeding \$100,000 should hire professional auditors rather than rely on volunteers and the annual inspection.

In 1958 one other major problem was encountered. In January of that year, the Britannia Mining and Smelting Company ended its operations at Britannia Beach. The employer-based credit union associated with that company was consequently forced into liquidation with liabilities of \$50,000. The province's credit unions banded together and subscribed sufficient funds so that no one lost on his or her deposits, but the experience was a sobering one for the movement. Consequently, within a year the provincial movement lobbied the government to pass an act incorporating the Credit Union Reserve Board, a quasi-government body which would collect dues from credit unions. The dues in turn were used to insure completely all deposits within the credit union system.

A year later, a new Credit Union Act was passed substantially enhancing the role of the inspector.<sup>56</sup> His ability to suspend the operations of any credit union was

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52. See British Columbia. Provincial Archives, Records of the Superintendent of Credit Unions, file 106, Fort Nelson Credit Union; file 85, Duncan and District Credit Union, and file 6, Alberni District Credit Union.

53. Ibid.

54. Ibid., File 160, Langley Employees Credit Union; file 174, Mount Pleasant Branch 197 Savings Credit Union; file 200, Otter District Credit Union; file 28, Bella Coola Valley Credit Union; file 11, Armstrong and Spallumcheen Credit Union; and file 267, South Burnaby Credit Union.

55. The cooperative loans which apparently created the most difficulty for a credit union were with the Otter District and with the Armstrong and Spallumcheen credit unions.

56. Statutes of British Columbia, 1961, c. 14.

increased, and he could order credit unions to employ auditors. The act also outlined in great detail the general responsibilities of directors, boards of directors, credit committees, and supervisory committees, and it placed specific demands on credit unions as to liquidity, lending practices, and equity policy. In short, the act was an attempt to make credit unions much more effective as businesses, more responsible to government for their operations.

## CONCLUSIONS

By 1960 the British Columbia credit union movement was coming to the end of its emancipatory phase. It had to a large extent been founded on the ideas of economic populism pioneered in the Antigonish movement and transported to the west coast. As it developed, it absorbed many of the organizational techniques and some of the conservatism that gradually dominated the American credit union movement. These two sources for the movement did not meld easily, thereby creating one of the divisions that would long divide British Columbia credit unions even after 1960.

The quest for business efficiency was also an inevitable consequence of the interest in a widespread emancipation of "ordinary people" from the bondage of limited, costly credit and the handicap of poor saving habits. Credit unions soon found themselves confronted by the limitations imposed by sound banking practice and could no longer base their operations only on judgements of good character. To resolve these problems, the movement had only two alternatives: strive for greater effectiveness through voluntary organizations like the league, the Central and the Credit Union Reserve Board or acquiesce in greater government regulation through the inspector's office. That issue would long remain as a fundamental choice for the British Columbia movement. Even though the next phase in credit union development — which would see a steady dwindling of the numbers of credit unions, the growth of some very large credit unions, and the transfer of considerable power to managers — might appear to be substantially different, the key issues were not: the provinces' credit unions did not quickly escape the concerns and preoccupations of their formative period.