COMMON BONDS AND CONFLICTING IDENTITIES: THE ESTABLISHMENT AND DEVELOPMENT OF THE VERMONT STATE EMPLOYEES CREDIT UNION

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Abstract

Though there is a moderately extensive literature on the developmental paths of credit unions, little has been written on the entrepreneurial process through which these institutions come into existence. The wider co-operative studies literature suggests that "supportive external stakeholders" play an important role in the process of co-operative entrepreneurship, but the motivations of those agents is often unclear, as are the changes and continuities in the nature of the relationship between the two entities over time.

To shed light on these issues, this thesis investigates the relationship between the Vermont State Employees Credit Union (VSECU) and the Vermont State Employees Association (VSEA), which was the "supportive external stakeholder" that helped to establish the credit union. Beginning with the founding of the credit union in 1946, this study demonstrates a variety of ways in which the VSEA supported and subsidized the growth of the credit union, and postulates that it was, in part, motivated to make these investments by the fact that, since only VSEA members were allowed to use the VSECU, the credit union served as an incentive to labor union membership.

However, as a legally independent entity, the institutional interests of the credit union gradually diverged from those of the VSEA, which manifested in the form of struggles over the boundaries of the common bond. Additionally, this study postulates that this divergence was reflected by the emergence of a new identity among both the credit union's leadership and its rank-and-file. Whereas the earlier members viewed the interests of the credit union as subordinate to those of the VSEA, a growing number began to identify more with the VSECU than they did with the union.

The strength of this "credit unionist" identity grew over the course of the 1960s, and culminated in a campaign at the end of that decade to open credit union membership to all state employees, regardless of union membership. After a near-miss, this was achieved in an overwhelming vote at the organization's annual meeting in 1970. The break with the "parent" organization was further confirmed two years later, when the membership overwhelmingly rejected a proposal to permit VSEA employees to join the credit union.

This narrative suggests that, when attempting to understand co-operative entrepreneurship and development, it is extremely important to take the ideas and identities of co-operative members into account. Although leaders certainly exert influence in co-operatives, the organizations' unique democratic corporate structure based on the principle of "one member, one vote" means that the subjective interests of their members are more easily translated into policy changes than would be the case in more hierarchical organizations. As such, the importance of a "bottom up" approach to the study of credit unions and other co-operatives is emphasized.

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Introduction

In the contemporary United States, credit unions, with a total of 88.6 million members and $813.4 billion in assets at the end of 2008, represent the single largest element of the economy's co-operative sector.[1] However, despite the fact that they command a respectable market share of approximately ten percent of the financial services industry, these organizations have been chronically under-studied in the academic literature. Keldon Bauer attributes this lack of interest to the co-operative structure of the institutions, which "mak[es] traditional methods ... inappropriate."[2] Since business research has traditionally concentrated on joint-stock and privately held firms, its primary investigative tools have biased the focus of research towards those institutional forms.

When credit union research has been undertaken, it has concentrated primarily on issues of firm and industry development. In their article "An Examination of Key Factors of Influence in the Development Process of Credit Union Industries," Sibbald, Ferguson, and McKillop present a stage-based model of national credit union growth from a macro perspective. According to their argument, credit union movements initially take the form of a "nascent industry" primarily composed of institutions with tight common bonds, a strong emphasis on voluntarism, commitment to self-help ideals, and limited asset size.

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1 National Credit Union Administration, *2008 Yearend Statistics for Federally Insured Credit Unions*, NCUA 8060 (Alexandria, VA, 2009), 12.

2 Keldon Bauer, "Detecting Abnormal Credit Union Performance." *Journal of Banking and Finance* 32 (2008): 573.

As a movement develops, it becomes a "transition industry," in which professionalism grows at the expense of voluntarism, growth is emphasized, and the common bond becomes subject to adjustment. The final stage, they argue, is the "mature industry," in which the trends at play in the "transition industry" reach their full fruition and the average credit union operates in a deregulated, competitive environment with access to the central services (such as deposit insurance and central banking) and trade bodies, and is characterized by a large asset size, loose common bond, and a fully professionalized management.[3]

This system-wide perspective is complemented by co-operative historian Ian MacPherson's observations on three "kinds of institutional cultures that typify the historical development of credit unions." Though he qualifies the universality of his categories by noting "that there is no necessary progression from one culture to another," they do strongly correspond with the stages theorized by Sibbald, Ferguson, and McKillop.[4] The factors that typify "nascent industries," for instance, seem to considerably overlap with what MacPherson refers to as the "populist culture," which is characterized by a commitment to democratic principles, emphasis on the social aspect of credit unions, suspicion of delegated authority, and commitment to community.[5] His "managerial culture," in turn, reflects the subjective aspects of the increased professionalization and

3 Alexander Sibbald, Charles Ferguson, and Donal McKillop, "An Examination of Key Factors of Influence in the Development Process of Credit Union Industries," *Annals of Public and Cooperative Economics* 73, no. 3 (2002): 402-404.

4 Ian MacPherson, *Hands Around the Globe: A History of the International Credit Union Movement and the Role and Development of the World Council of Credit Unions, Inc.* (Victoria, Canada: Horsdal & Schubart, 1999), xiii-xiv.

5 Ibid., xiv.

commitment to institutional growth that is an indicator of a "transition industry." Finally, the "structuralist culture," with its emphasis on the "growing integration of credit unions within state/provincial, national, regional, and international structures," seems to correlate well with the "mature industry" model.

In contrast to this complex literature on the developmental dynamics of already-existing credit unions, research on credit union entrepreneurship is severely lacking. One reason for this dearth might lie in the fact that, while the American credit union movement has grown consistently since the end of the Second World War in terms of members and assets, the number of institutions peaked in 1969. Since then, credit union growth has been driven primarily by mergers and the incorporation of new "Select Employee Groups" (SEGs) into already existing credit unions' common bond.[6] As a result, a number of articles have been published in the last few decades on the motivations and economic effects of credit union mergers, but virtually nothing has been written about the setting up of credit unions (the "entrepreneurial process").

This neglect is unfortunate, however, because the existence and robustness of the contemporary credit union movement has an anomalous quality. According to Roger Spear, "co-operatives suffer an entrepreneurial problem since greater returns would accrue to an entrepreneur if he/she formed an organization that they owned exclusively rather than one shared with others."[7] Once a credit union is in existence, the path that it

6 J. Carroll Moody and Gilbert C. Fite, *The Credit Union Movement: Origins and Development, 1850-1980* (Dubuque, Iowa: Kendall/Hunt, 1984), 257, 265.

7 Roger Spear "Social Entrepreneurship in Co-operatives," in *Integrating Diversities Within a Complex Heritage: Essays in the Field of Co-operative Studies,* ed. by Ian MacPherson and Erin McLaughlin-Jenkins (Victoria, Canada: New Rochdale Press, 2008), 44.

follows has been fairly well mapped out; however, to gain insight into the entrepreneurial process that brought it into existence in the first place, it is necessary to consult the wider literature on co-operative efforts of all kinds. On the basis of his analysis of the entrepreneurial phase of twelve European co-operatives, Spear argues that, in contrast the "heroic individual" model that dominates the discourse of entrepreneurship in the for-profit sector, co-operatives are generally established through a more collective process.[8] He refers to this as "distributed entrepreneurship," which is characterized by "circles of entrepreneurial activity with central roles played by the entrepreneurs within the organization but with a wider group of stakeholders sometimes quite closely and essentially involved."[9]

A real world example of this dynamic in action can be found in Ian MacPherson's study of the establishment of Canadian Co-operative Implements, Limited, in western Canada. Faced with rising agricultural equipment costs in the 1930s, grain farmers responded by founding a co-operative machinery manufacturing company. In this case, MacPherson shows that the entrepreneurial process was driven by paid "field men" in the employ of previously existing agricultural co-ops, which put thousands of dollars towards the initial organization process.[10] When viewed through the lens of Spear's "distributed entrepreneurship" model, the field men took the role of entrepreneurs while the sponsoring co-operatives can be seen as "supportive external stake-holders."

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8 Ibid., 52-3.

9 Ibid., 57.

10 Ian MacPherson, "Better Tractors for Less Money: The Establishment of Canadian Co-operative Implements, Limited," in *One Path to Co-operative Studies: A Selection of Papers and Presentations* (Victoria, Canada: New Rochdale Press), 83-92.

While the work of both Spear and MacPherson suggests the general validity of the "distributed entrepreneurship" concept, Spear's treatment of the "supportive external stake-holders" is both intriguing and limited. On the one hand, he notes that they "play significant roles ... in supporting entrepreneurial activity over a considerable time."[11] However, he is frustratingly vague as to the both the reasons that they provide support and the historical trajectory of their relationships with organizations they helped to establish. These matters are not simply determined by abstract organizational principles; rather, they are rooted in and informed by the ideologies, identities, and beliefs of individuals. MacPherson and Sibbald, Ferguson, and McKillop both supplement their respective models of credit union development with descriptions of the sorts of individuals who predominate in particular phases, but their focus is primarily on the personal characteristics of credit union movement leaders.[12]

The goal of this essay, therefore, is to go one step further. The collective processes of structural evolution described by Sibbald, Ferguson, and McKillop, and the cultural change underscored by MacPherson's work, are essential to any model of credit union development. However, it is equally vital to understand the evolution of what it means to be a credit union member, since the continuities and changes in this identity determine the ways in which members both interact with, and shape the policies of, their co-operatives.

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11 Spear, 55.

12 Sibbald, Ferguson, and McKillop, 404-8; Ian MacPherson, "Context, Charisma and Continuity: Leadership and the Formative Years of the Quebec, American, and English-Canadian Credit Union Movements," in *One Path to Co-operative Studies*, 281-299.

To gain insight into this historical process, this paper will trace the contours of the identities of credit union members at the time of the establishment of their organization, and then document the nature of their subsequent evolution in relation to concurrent "collective" developments as identified by Macpherson and Sibbald, Ferguson, and McKillop. To accomplish this task, I have engaged in a case study of a single institution, the Vermont State Employees Credit Union, by way of a detailed reading of that organization's archived minutes and communications from its founding in 1946 until 1973. In the course of this process, it quickly became apparent that the major source of tension within the identities of the institution's leadership and members lay primarily in conflicting perceptions of the nature of the credit union's relationship with its major "external stakeholder," the Vermont State Employees Association. An understanding of the nature of that tension and its effects on the development of both the credit union and the identities of its members serves to shed new light on the complexities and dynamics at play in both credit union development and co-operative entrepreneurship. Before a detailed analysis can be undertaken, however, it is first necessary to situate this study within the larger historical context of the co-operative movement.

Chapter 1

Origins of Co-operation and the Credit Union Movement

When attempting to discern the historical origins of the modern co-operative movement, scholars generally acknowledge that its contemporary institutional forms are deeply rooted in the legacies of the informal mutual aid arrangements that seem to have emerged universally in human cultures. Ian MacPherson drives this universality home in his history of the world credit union movement when he identifies, in quick succession, forty-two separate words for "informal savings and lending associations" from places as diverse as Benin, Fiji, and Nepal.[13] Furthermore, social historians have shown that this is not simply a phenomenon of the modern age; João José Reis notes that urban slaves in 19th century Brazil formed "credit unions called 'manumission pools'" in which they pooled their earnings in order to purchase their freedom on a revolving basis.[14] Some theorists, such as Peter Kropotkin, have even gone so far as to posit that mutual aid is rooted in the evolutionary process itself, implying that co-operative organization is the institutional expression of a biologically conditioned human impulse.[15]

All of this is not to say that modern co-operatives are simply such informal groups writ large. Instead, as MacPherson notes, "[credit unions'] legal status is what primarily

13 Ian MacPherson, *Hands Around the Globe*, 1.

14 João José Reis, *Slave Rebellion In Brazil: The Muslim Uprising of 1835 in Bahia*, trans. Arthur Brakel (Baltimore: Johns Hopkins University Press, 1993), 165-6.

15 Anarcho [pseud.], "Mutual Aid: An Introduction and Evaluation," Anarchist Writers, http://anarchism.pageabode.com/anarcho/mutual-aid-an-introduction-and-evaluation (accessed February 13, 2011). For a perspective on the evolutionary advantages of a co-operation as viewed through the lens of game theory, see: Matt Ridley, *The Origins of Virtue: Human Instincts and the Evolution of Cooperation* (New York: Penguin, 1998), 127-47.

distinguishes them from the informal mutual institutions which have helped make organized human existence possible since before the beginnings of recorded human memory," and the transition from the former to the latter was driven by the dynamics of the Industrial Revolution.[16] As a result, the earliest modern cooperatives were organized in the first society to experience industrialization: Great Britain.

According to Peter Gurney, the first examples of British co-operation can be traced to the mid-eighteenth century, when dockyard workers in Woolwich and Chatham created co-operative flour mills. Little is known of the details of these initial experiments, but they seem to have initiated a tradition that was continued by such organizations as the Hull Anti-Mill Co-operative Society. Founded in 1795, Gurney notes that "it was established by working people to provide cheap, unadulterated bread and liberation from the fraudulent practices of local millers and shopkeepers." Despite attempted legal attacks by competing millers, the Anti-Mill thrived for the whole of the nineteenth century and boasted five thousand members in 1891.[17]

Another early manifestation of the co-operative impulse in Great Britain can be located in the development and spread of the "friendly societies" at the end of the 18th century. Officially recognized by the British state in 1793, these organizations were largely working-class clubs that mixed conviviality and ritualism with a variety of insurance benefits. Members paid into a common pool on a regular basis, and were

16 MacPherson, *Hands Around the Globe*, 2.
17 Peter Gurney, "Labor's Great Arch: Cooperation and Cultural Revolution in Britain, 1795-1926," in *Consumers Against Capitalism? Consumer Cooperation in Europe, North America, and Japan, 1840-1990*, ed. Ellen Furlough and Carl Strikwerda (Lanham, Maryland: Rowman & Littlefield, 1999), 137.

entitled to receive a predetermined monetary benefit should they become unemployed, sick, or disabled. The advantages of such an arrangement were readily apparent to newly-urbanized factory workers facing the uncertainties of industrial employment, and there were about 7,200 friendly societies operating in the United Kingdom by 1801.[18]

Such experiments in economic co-operation were first brought together into a cohesive movement shortly after the conclusion of the Napoleonic Wars in 1815 under the leadership of Robert Owen. A wealthy mill-owner, Owen was deeply troubled by the social dislocation he perceived to be rooted in the industrialization process. The solution, he believed, was to reorganize society and productive activity on a co-operative basis, and he used his wealth to sponsor several experimental communities in both Britain and the United States to test his ideas. While none of those projects lasted more than a few years, a large number of less grandiose co-operatives were founded by his followers across the United Kingdom in the 1820s and '30s, and extensive efforts to spread the co-operative idea were made through the newspapers, books, and itinerant lecturers. As a result of all of this, labor historian E.P. Thompson estimates that, by 1832, there were "perhaps 500 co-operative societies ... in existence in the whole country, with at least 20,000 members."[19]

Though Owenism as a cohesive movement was in decline by the mid-1830s, its effects lingered and spawned new co-operative projects.[20] As Ellen Fulough and Carl

18 P.H.J.H. Gosden, *The Friendly Societies in England, 1815-1875* (Manchester, UK: Manchester University Press, 1961), 2-4.
19 E.P. Thompson, *The Making of the English Working Class* (1963; repr., New York: Vintage Books, 1966), 780-793.
20 Ibid., 830.

Strikwerda observe, "[t]he Owenites ... generated a body of committed activists who provided both expertise and institutional memory for the full-fledged cooperative movement later in the century."[21] In 1844, a handful of those activists outside of Manchester organized themselves into "The Equitable Society of Pioneers" and opened a co-operative store.[22] Though such projects had been attempted before, the "Rochdale Pioneers" (as they are commonly called) drew upon their previous experiences to formulate a set of "Rochdale Principles" which, with some modifications, have remained the core values of co-operatives world-wide down to the present day.[23]

By this time, many in the industrializing societies of western Europe were also familiar with the co-operative idea, and it was on the continent that co-operative banking first emerged. In the 1840s, the French anarchist and social thinker Pierre Joseph Proudhon proposed a co-operative "Bank of the People," which would provide credit at cost. He began the organization process in 1848, but the institution ultimately failed to get off the ground after Proudhon was jailed for libeling the French President in 1849.[24] Proudhon's failure was by no means a fatal blow to the promise of co-operative banking, however; during those same years, the first permanent co-operative banks to which the modern credit union movement usually traces its institutional lineage were being established on the far side of the Rhine.

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21 Ellen Furlough and Carl Strikwerda, "Economics, Consumer Culture, and Gender: An Introduction to the Politics of Consumer Cooperation," in Furlough and Strikwerda, 7-8.

22 MacPherson, *Hands Around the Globe*, 3-4.

23 International Cooperative Alliance, "Co-operative History: The Rochdale Pioneers," http://www.ica.coop/coop/history.html (accessed February 10, 2011).

24 Charles A. Dana, *Proudhon and His "Bank of the People"*, ed. Benjamin R. Tucker (1896; repr. Chicago: Charles H. Kerr, 1984), 60-67.

The earliest effective promoter of co-operative banking in Germany was Hermann Schulze-Delitzsch, a liberal public servant who was influenced by the writings of the German co-operative enthusiast Victor Aimé Huber. Witnessing social stresses in Prussian towns similar to those that had inspired Owen in England, Schulze-Delizche became an ardent public advocate of co-operative banking as a means of ameliorating what was referred to at the time as the "Social Problem." Focusing his organizing efforts on urban communities, he assisted in the formation of many co-operative banks and spearheaded efforts to secure the passage of enabling legislation. In gaging the success of Schultz-Delizche's efforts, the numbers speak for themselves; the movement that bears his name consisted of 1,900 institutions with 466,000 members by the time of his death in 1883.[25]

In rural areas, a similar role was filled by Friederich Wilhelm Raiffeisen, a deeply religious and conservative public servant from the Rhine Valley. After experimenting with a variety of co-operative forms in the 1850s, he started a credit co-operative in 1864 which embodied many of the structural principles still honored by modern credit unions, including, according to MacPherson, "each member only had one vote; only members could deposit and borrow; and character was the most important security for loans."[26] Raiffeisen's model also spread quickly, and by 1913 there were 16,927 such banks distributed throughout the German Empire.[27]

The success of the German example fueled imitators across continental western

25 MacPherson, *Hands Around the Globe*, 4-5.
26 Ibid., 5-6.
27 Moody and Fite, 19.

Europe. Belgium, the Netherlands and France directly reproduced the German model, while, in Italy, economist Luigi Luzzatti added another element of modern credit unionism -- limited liability -- to his Peoples Bank of Milan.[28] All of these developments were eagerly followed and publicly documented by English co-operator and writer Henry W. Wolff. Although his home country's commitment to the consumer co-operative model meant there was little interest in community-based co-operative banking in England, Wolff's writings were instrumental in the model's spread to North America.[29]

One early reader and correspondent of Wolff was Alphonse Desjardins, who is widely considered to be the founder of the North American credit union movement. Desjardins, who was a parliamentary reporter, had been deeply shocked by the testimony he had heard relating to the 1897 attempt to outlaw usury in Canada. According to Moody and Fite, "He was particularly horrified by hearing of a case in which an individual had been charged 1200 percent interest on a small loan. At that point, Desjardins decided to attempt to remedy such evils."[30] The first concrete step towards that goal was taken on December 6, 1900, when, with the help of his wife and neighbors, he founded *La Caisse Populaire de Levis* in a suburb of Quebec City. Seven years after its establishment, the credit union held $80,000 in assets, had made 2,900 loans without experiencing a single default, and had forced three local moneylenders out of business.[31]

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28 MacPherson, *Hands Around the Globe*, 6; Moody and Fite, 9-10.

29 MacPherson, *Hands Around the Globe*, 6-7. Since the consumer co-operative was perceived to be at the heart of the British co-operative movement, co-operative banking generally took the form of banks owned by co-ops, not individual members. As a result, credit unions did not develop in the English context until well into the twentieth century.

30 Moody and Fite, 13.

31 MacPherson, *Hands Around the Globe, 8-9.*

The institutional framework that Desjardins pioneered with his *caisse populaire* became, with few modifications, the template for the modern co-operative financial institution known as the "credit union." Combining aspects of the systems of Luzzatti and Raiffeisen with a few of Desjardin's own innovations, the fundamental character of the credit union were later summarized as "a financial cooperative organized by people who have a common bond [i.e., they are members of a shared community such as a church, a workplace, etc.]. All members pool their assets, providing funding for loans to those in need within the group. The members own and operate the credit union, electing directors and supervisory personnel from among the membership ... The principal functions of credit unions are to encourage savings and thrift and to provide consumers credit at favorable interest rates."[32]

While the *caisses populaires* spread slowly but steadily through Quebec, the French-Canadian model soon found an influential American admirer in the person of Edward Filene. A wealthy department store owner from Boston, Filene was a supporter of many progressive causes who was convinced that while "American institutions were basically sound ... change was necessary in the nation's economic and social life."[33] During a 1907 trip to India, Filene was deeply impressed with the small-scale co-operative credit institutions that had been established there to battle usury, and, upon his return to the United States, he became a vocal advocate of co-operative credit.[34]

32 National Credit Union Institute, *Introduction to Credit Unions*, 3rd ed. (Dubuque, Iowa: Kendall/Hunt, 1984), 1.
33 Moody and Fite, 20.
34 Ibid., 22.

In this campaign, Filene found a powerful ally in Pierre Jay, the Massachusetts banking commissioner. Jay had developed an interest in co-operative banking after having read Wolff's book *People's Banks*, and he developed a correspondence with Desjardins shortly thereafter. When Desjardins informed Jay of a planned visit to Manchester, New Hampshire, for the purpose of organizing a *caisse populaire* in a francophone Catholic parish, Jay took advantage of Desjardins' proximity to arrange a conference. On November 24, 1908, Desjardins met with Jay, Filene, and other influential Bostonians, during which he explained the *caisse populaire* system and discussed ways by which such institutions could be introduced to Massachusetts.[35]

Inspired by Desjardins, the Bostonians began forcefully advocating for legislative recognition of credit unions, and the resultant Massachusetts Credit Union Act became law on April 15, 1909.[36] However, the passage of the law alone was not sufficient to spur spontaneous credit union development across the state. The growth rate was initially quite slow; 1910 saw the formation of only two credit unions.[37] Fortunately, passage of the Act had not dampened Filene's enthusiasm for the institutions. For the rest of his life, he consistently provided substantial financial backing for both the organization of credit unions and lobbying efforts on behalf of the movement.

As a result of Filene's dedicated support, credit unionism grew tremendously in the 1920s and '30s. By the time of his death in 1937, there were more than six thousand credit unions in the United States, and both Congress and the vast majority of state

35 Ibid., 22-23.
36 Ibid., 26.
37 Ibid., 27.

legislatures had passed credit union enabling legislation.[38] The Credit Union National Association (CUNA) had been formed in 1934 with Filene's backing, and by 1937 it was close to financial independence.[39]

Compared to many other areas of the country, Vermont's credit union movement got underway relatively slowly, with the state enabling law being passed only after the 1934 federal legislation had been in force for the better part of a decade. Given the spottiness of records and the number of credit unions that have disappeared over the years through mergers and dissolution, it is difficult to state with certainty exactly when the first Vermont credit union was founded. However, the Vermont Veterans Affairs Federal Credit Union, which was chartered in 1939, lays claim to "the honor and prestige of being the state's oldest credit union," so, barring evidence to the contrary, that year can reasonably be asserted as the starting point of Vermont's credit union movement.[40]

1939, of course, was immediately followed by the Second World War, which put a profound damper on the credit union movement nation-wide. Between the effects of limited consumer markets and emergency war-time regulations, the number of credit unions declined from 9,891 in 1941 to 8,680 in 1945.[41] However, the post-war boom fueled extensive demand for consumer credit, which credit unions were well positioned to provide. As a result, the number of American credit unions expanded vigorously in the

38 Ibid., 171.
39 Ibid., 176.
40 Vermont VA Federal Credit Union, "About Vermont VAF Employees FCU," http://www.vtvafcu.com/vtvafefcu/AboutUs.asp (accessed February 13, 2011).
41 MacPherson, *Hands Around the Globe, 37.*

ensuing decade, reaching 15,000 institutions by 1954.[42]

In addition to benefiting from this general trend, the Vermont movement's growth was also bolstered by the arrival of Roy F. Bergengren. Originally a lawyer from Massachusetts, his involvement in the credit union movement began in the early 1920s when Filene hired him to spearhead the credit union development campaign.[43] Bergengren embraced this role with great fervor, and served as the leading figure of the American credit union movement from that time until 1945, when internal tensions within the Credit Union National Association "forced [him] to resign ... following a long and bitter battle that deeply divided the movement."[44]

Shortly thereafter, Bergengren serendipitously moved from Wisconsin to "a little farm on a pleasant Vermont hillside."[45] However, this change in venue did not indicate that he was coasting into a quiet retirement. On the contrary, Bergengren immediately founded the Vermont Credit Union League and served as its managing director until his death in 1955.[46] It was in this capacity that, on September 16, 1946, he attended the second annual meeting of the Vermont State Employees Association to "[speak] about Credit Unions."[47]

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42 Ibid., 39-40.
43 Ibid., 17-18
44 Ibid., 37; Moody and Fite, 213-217. The exact reasons for Bergengren's departure are contested. While his opponents in the Credit Union National Association accused him of organizational mismanagement, Bergengren believed that his removal was at least partially motivated by his insistent advocacy for credit unions to take on a more prominent role in the larger co-operative movement.
45 Moody and Fite, 217.
46 Program of the Tenth Annual Meeting of the Vermont Credit Union League, April 13, 1957, Papers of the Association of Vermont Credit Unions, South Burlington, 1.
47 V.S.E.A. History Committee, *Highlights: A Brief Chronology of the Vermont State Employees Association, Inc., 1944-1984*, VSEA Papers, Montpelier, 2.

Chapter 2

Founding and Early Development of the VSECU

The Vermont State Employees Association (VSEA) was formed on November 18, 1944, in response to worker dissatisfaction with the state's retirement plan, and 869 (or 62%) of eligible state employees joined immediately.[48] In its early years, according to former VSEA President Terry Macaig (1973-1975), the organization had the character of a "company union," in which "you went hand in hand with the administration to try to do things, or you tried to work with the administration to do the things that were needed. Pay-raises, increase in benefits, some things that you needed legislation to do."[49] In spite of this, the young union seems to have competently advocated the interests of its membership in relation to the state, winning numerous raises and new benefits from 1946 until the advent of collective bargaining in 1969, when it officially adopted an adversarial stance towards the state.[50] However, it also attempted to supplement those gains by experimenting with peripheral benefits for union members. Some, such as a group purchasing scheme that was proposed in 1948, fizzled.[51] The credit union, on the other hand, turned out to be wildly successful.

The first public mention of forming a credit union for union members came in the *VSEA Bulletin* of July 1946, which "contains a report of an Association Trustee Meeting

48 V.S.E.A. History Committee, 1. All non-supervisory state employees were eligible for membership, so, from its conception, the VSEA's membership was a mixture of blue- and white-collar workers.
49 Terry MacCaig, interview by author, Williston, VT, December 1, 2010, digital video retained by author.
50 V.S.E.A. History Committee, 1-9.
51 Ibid., 2.

spent discussing the question of forming a State employees' Credit Union."[52] Things continued to move forward following Bergengren's encouraging speech to the VSEA's annual meeting that September, and on December 19, 1946, seven VSEA members signed their names to the Articles of Association, thereby officially founding the Vermont State Employees Credit Union (VSECU).[53]

Though technically a legally independent organization, the boundaries between the VSECU and the VSEA were quite blurry for the first decade of the credit union's existence. Its organizational meeting was held during a recess of the State Employees Association Council meeting of March 3, 1947, during which the VSEA's President, F. Carlisle Coates, "made a motion ... that the Council of the Vermont State Employees Association go on record as being in approval of the selection of Directors elected by the Credit Union. His purpose in making this motion, he explained, was to show that the smaller group, the Credit Union, had the backing of the Association. This motion was ... carried by an affirmative verbal vote without opposition."[54] Intended at the moment as a supportive gesture, Coates' resolution reveals the nature of the (unanimously) perceived relationship between the two organizations. The VSECU was a project of the VSEA, and the institutional interests of the former were thus implicitly subordinate to those of its "parent." Though it would later become a source of conflict, this relationship served both organizations well during this initial decade.

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52 Ibid., 2.
53 Articles of Association of the Vermont State Employees Credit Union, December 19, 1946, Papers of the Vermont State Employees Credit Union, Montpelier.
54 Organizational Meeting Minutes, March 3, 1947, Papers of the VSECU.

In particular, the VSEA benefited greatly from the nature of the VSECU's field of membership. In order to join the credit union, an individual was required not only to be a state employee, but also to be in good standing as a union member (i.e., his or her dues were paid). Since the state of Vermont did not require employees to join the VSEA as a condition of employment, the affordable credit offered by the VSECU provided an added incentive to union membership. This, in turn, made it rational for the union to invest resources in the expansion of "its" credit union. While the VSEA did actually provide the credit union with a cash grant of fifty dollars in 1947 "to get started, contact employees, and purchase supplies," most of the union's various "investments" took other, less obviously pecuniary, forms.[55]

One of the most valuable and influential of these investments consisted of the union's "social capital," as defined by the sociologist Robert Putnam. According to Putnam, "the core idea of social capital theory is that social networks have value. Just as a screwdriver (physical capital) or a college education (human capital) can increase productivity (both individual and collective), so too social contacts affect the productivity of individuals and groups."[56] The value of such social capital to the co-operative entrepreneurial process is suggested by Spear, who notes that supportive "players provide resources and expertise, some of which is conventionally supplied but some of which may be better conceptualized as social capital."[57] By its very nature, the VSEA possessed

55 V.S.E.A. History Committee, 2.
56 Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000), 18.
57 Spear, 54.

important trust relationships with thousands of state workers, and, over the course of the late 1940s and 1950s, it lent that credibility to the credit union's cause in a number of different ways.

One example of this can be observed in the extensive early co-ordination between the activities of the credit union's Educational Committee and the VSEA's Bulletin Committee, which was responsible for publishing the union's quarterly newsletter. In its first year of operation, the VSECU experimented with several simple strategies for recruiting members, including personal letters and "area meetings," to limited effect.[58] As a result, President Coates proposed to the credit union's Annual Meeting of January 21, 1949, that a special committee be formed to collaborate with Roy Bergengren "in trying to work out a plan to promote membership."[59] This proposal was duly approved, and the committee reported a number of suggestions back to the Board of Directors in March, among which was the idea that "material be furnished ... for insertion in the Vermont State Employees Association Bulletin."[60]

This proposal initiated a robust working partnership that continued for the next decade. In their reports to the Board of Directors, the Education Committee regularly highlighted plans to include articles in the VSEA Bulletin, and the connection between the two groups was further cemented when "[Robert] Farrington was asked to guide the activities of the [Education] Committee inasmuch as he had previous experience on the

58 Minutes of the First Annual Meeting of the Vermont State Employees Credit Union, January 21, 1949, Papers of the VSECU, 1-2..
59 Ibid., 3-4.
60 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, March 14, 1949, Papers of the VSECU, 2.

VSEA Publicity committee" in 1952. Two years later, this tight relationship received public confirmation when the Publicity Committee "include[d] the Chairman of The Education Committee of the Credit Union in their list of Editors and Officers."[61] Indeed, in the early 1950s the members of the Education Committee felt such a deep connection to their counterparts in the VSEA that it was even reflected in typographical errors: the headings of the group's annual reports from 1952, 1953, and 1954 all refer to a "V.S.E.A. Credit Union."

Excepting the occasional issue that was taken up by pressing union business, most editions of the VSEA Bulletin during this period seem to have included articles about the VSECU, and the Fall 1950 issue was even entirely devoted to explaining the benefits of payroll deduction.[62] This arrangement helped the credit union to get its message out and increase its membership in its early years almost entirely on the union's dime; indeed, after listing ten activities that it had undertaken in the course of the previous year, the Education Committee's report dated January 25, 1951, concludes by noting with evident pride that "all the activities and literature distributed by the Education Committee have been at no expense to the Credit Union."[63]

Another way in which the VSEA both lent credibility to, and subsidized the growth of, the VSECU was evident in the regular attendance of credit union

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61 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, May 12, 1952, Papers of the VSECU, 2; Report of the Education Committee, V. S. E. A. Credit Union, January 15, 1954, Papers of the VSECU.

62 Report of the Education Committee, V. S. E. A. Credit Union, January 15, 1953, Papers of the VSECU; 1950 Annual Report of Education Committee, January 19, 1951., Papers of the VSECU, 1.

63 Ibid., 2.

representatives at Association "Chapter meetings." In its first year, one of the publicity strategies discussed by the VSECU's Board of Directors was for the credit union to sponsor "area meetings ... to familiarize State Employees with the activities of the Credit Union," but the plan was hamstrung by the fact "that the problem of cost of such meetings had not been solved."[64] In spite of this financial constraint, the credit union did manage to organize occasional meetings over the next few years, including one in Rutland in 1948 that managed to draw an audience of more than a hundred state employees.[65]

However, the extent of the credit union's face-to-face outreach dramatically increased after the VSEA created a network of local "Chapters" beginning in 1952 for the purpose of better organizing its widely dispersed membership. The founding of these subsidiary units was achieved by way of "send[ing] teams of [VSEA] officers to meet with employees by counties or districts," and fourteen had been formed by the end of 1953.[66] The VSECU's Board of Directors responded to the opportunity presented by the union's organizing drive in November, 1952, when it authorized payment for "the expenses of the president or anyone appointed by him to represent the Credit Union at V.S.E.A. meetings throughout the State."[67] Between then and the Annual Meeting two months later, credit union representatives had "talked upon the benefits and financial

64 Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, October 6, 1947, Papers of the VSECU, 2.
65 V. S. E. A. History Committee, 2.
66 Ibid., 3-4.
67 Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, November 17, 1952, Papers of the VSECU, 1.

condition of the Credit Union" to state employees at Chapter meetings in Bradford, Brandon, Brattleboro, Burlington, St. Albans.[68] By January of 1954, the Education Committee reported that "much educational work has been done by the President, Bob Simon, who made the rounds to most of the Chapters of the VSEA, in company with the VSEA people organizing such Chapters."[69]

Though the credit union benefited greatly from the appearances of its representatives at VSEA Chapter meetings, those visits were not simply cases of the credit union "free riding" on the organizational efforts of the union. On the contrary, it is likely that the presence of the VSECU at those meetings served to make union membership more attractive, since it was a prerequisite to gaining access to the credit union's services. Indeed, when a VSECU representative was unable to attend a 1953 meeting in St. Albans, "Mr. Seth Meade, State Employees President very ably filled in."[70] The fact that the president of the VSEA could act as a spokesperson for the credit union suggests how close the two organizations were during this period. The fact that he took the trouble to do so suggests that the credit union was recognized as an important incentive to new union members.

Even after the organizing drive had been completed, the VSECU continued to derive benefits from the Chapter structure. At its June, 1953 meeting, the Board of Directors resolved "that a representative of the Credit Union be appointed by the

68 Report of President to Vermont Employees Credit Union to Annual Meeting, January 16, 1953, Papers of the VSECU.
69 Report of the Education Committee, V. S. E. A. Credit Union, January 15, 1954, Papers of the VSECU.
70 Report of President to Vermont Employees Credit Union, January 15, 1954, Papers of the VSECU, 3.

Directors in each Chapter who will also act as advisor to the Credit Committee."[71] By doing so, the credit committee could draw upon that local representative's personal knowledge of the details of the financial situation and character of his or her co-workers when deciding whether or not to approve a loan application.

The ability of a credit union to gain access to knowledge about potential borrowers which would be impossible to obtain for a bank facing a similar request for credit has long served as the justification for the existence of the "common bond" requirement for credit unions. One book called *Introduction to Credit Unions* used the Spanish-American Credit Union of Dover, New Jersey, as an illustration of this dynamic in action. That credit union "began in 1971 with only seven members, but today the organization has 2,500 members and is prospering because it serves a well-defined urban community where neighbor knows neighbor. 'We can afford to take risks on people that banks cannot take,' said President Francisco de Jesus, 'because we know the people and what they are able to handle.'"[72] By "deputizing" representatives from the local VSEA Chapters to assist the Credit Committee, the VSECU was able to create a similar environment in which it could harness the social knowledge of the union members to allocate credit more efficiently than would have been possible had it had been purely reliant upon credit bureau data. In concrete terms, this meant that the social capital that was, in part, created by the union's Chapter organizing drive allowed the credit union to better target its lending towards members with the ability to pay their debts, and it was

71 Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, June 8, 1953, Papers of the VSECU, 1.

72 National Credit Union Institute, 1.

thus theoretically able to offer better rates to its members than would have been possible had it lacked access to that information.

A final instance of VSEA support for the early growth of the VSECU occurred in the legislative arena, when the union used its lobbying clout to convince the legislature to allow state employees to deduct savings deposits and loan payments from their paychecks automatically. Today, direct deposit options are a standard feature in many workplaces, and may not appear to be a particularly important innovation. However, credit unions are credited with pioneering the practice. It was favored by members as an easy way to save and make loan payments, and by the credit union itself as an effective form of security on small consumer loans.[73] Since the VSECU's early staff was voluntary and part-time, office hours were initially quite limited. For members, making it to the scheduled operating times could be a chore. Payroll deduction bypassed this problem by allowing the credit union's treasurer simply to collect the designated funds for deposit or repayment straight from the state, thus minimizing what would otherwise be a dis-economy caused by the credit union's small scale (as well as making it more difficult for an employed debtor to default).

As early as 1948, the VSECU's Board of Directors was discussing the idea of instituting payroll deduction, but it was resisted by the state since it would have to bear the extra administrative costs. The rationale of the state's reluctance was explicitly expressed at the June Board meeting by a "Miss Tullar," who was both a member of the credit union's Auditing Committee and employed by the state Treasurer's Office. Arguing

73 Ibid., 5.

against the plan, she "stressed the fact that the machinery now in use for the bookkeeping of pay-roll deductions cannot accomodate [sic] any further deductions."[74]

The Board failed to find this argument convincing, however, and it consistently but fruitlessly advocated for payroll deduction for the next two years. Finally, at the September, 1950, board meeting, "the suggestion was made that if no action was taken [by the state] by September 30, a resolution be passed by the [Vermont State Employees] Association at the annual meeting requesting ... payroll deductions."[75] The support of the VSEA on this issue seems to have changed the calculus, and, by the end of the month, the governor had authorized payroll deduction for the credit union.[76]

In sum, it is clear that, from the VSECU's establishment in 1946 until the mid-1950s, its relationship with the VSEA was highly symbiotic. The fact that one had to be a union member in order to join the credit union simplified the jobs of VSEA recruiters, while the social capital, political clout, and expertise of the union were resources which helped to fuel the VSECU's robust growth from 121 members in 1947 to 1114 members a decade later.[77] At times, the relationship between the two organizations was so intimate that the lines between them were blurry even to their leaders. That does not mean that the partnership was entirely without tension. As time progressed, their interests began to diverge on certain key issues, with profound implications for the VSECU's institutional

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74 Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, June 14, 1948, Papers of the VSECU.
75 Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, September 18, 1950, Papers of the VSECU.
76 V. S. E. A. History Committee, 3.
77 Vermont State Employees Credit Union Growth Chart, 1967, Papers of the VSECU.

identity; it is to this dynamic we now turn.

Chapter 3

Diverging Identities

At the core of the VSECU's independent identity formation process lay the issue of the nature of the common bond. In its first years, the policy of only allowing paid-up VSEA members to join the credit union was did not hamper the development of the VSECU. On the contrary, it was what allowed the organization to gain access to and leverage a variety of tangible and intangible union resources, which, in turn, fueled the VSECU's early growth. However, as the credit union developed and grew, the "common bond" gradually changed from an asset to a growth-restricting liability, and the identity of the institution concurrently became less connected to its founding union.

The first major controversy over the contours of the common bond occurred at the August, 1950, board meeting, after Harris Soule, the Managing Director of the Development Commission, who was "very much interested in cooperatives of all kinds and ... believes in the Credit Union," petitioned the VSEA Council for permission to join the VSECU. As a supervisory employee, Mr. Soule was ineligible for VSEA membership, and the Council debated possible solutions. One member suggested that the bylaws be changed "so that any employee of the state could belong," but the VSEA's President "did not think this would be advisable," and offered as an alternative the proposal that "any State employee who for any reason is denied membership in the Association, may belong to the Credit Union." When the VSECU's board took up the issue, however, it chose not to enact even the latter proposal, instead opting to leave the by-laws unchanged.[78] Thus, the VSEA appeared more willing to weaken the "common bond" at this point than the leadership of the VSECU, suggesting how strongly the latter identified with the former at the time.

The difference in perspective was confirmed at the credit union's annual meeting a few months later. Up until that point, the credit union had relied entirely upon volunteer labor; however, the growth in membership was putting stress on that system, and it was therefore proposed that a part-time treasurer be hired at the rate of $50 per month. During the discussion of this proposal, the VSEA President was asked if there "[was] any chance that the Employees Association might be able to help us?" He refused, diplomatically stating that "we have a paid publicist and whereas we would like to help the Credit Union, we do not have any idea at this time what we will have to pay before the year is over," he subtly demarcated the limits of the union's willingness to invest in the credit union.[79] While the VSEA was happy to have the VSECU benefit from its organizing efforts and social capital in exchange for incentivizing union membership, many costs, such as those of paid staff, would have to be internalized by the credit union.

Subsequent years saw a continuous increase in the internalization of both large and small expenses that had previously been borne by the union. At its November, 1951 meeting, the VSECU's board approved a payment of $16.25 to the VSEA for "postal

78 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, August 14, 1950, Papers of the VSECU, 1-2.

79 Minutes of the Annual Meeting of the Vermont State Employees Credit Union, January 25, 1951, Papers of the VSECU, 3-4.

cards and postage," an expense which the union had subsidized in the past by putting out credit union information in its Bulletin.[80] A year later, the Education Committee provided a cost estimate to the credit union for printing its own bulletin, estimating that it "would not exceed $15.00 for 600 copies of the first issue and $10.00 or $11.00 for other issues."[81] Though it was also still benefiting immensely from regular exposure in the VSEA Bulletin, the VSECU was well on its way to developing its own capacity for generating independent publicity by 1952.

The credit union's role as an incentive to VSEA membership also became a subject of discussion during this period. Though the VSECU was being expected by the union to internalize an increasing proportion of its costs, the VSEA also expected the credit union to bear the costs of enforcing the common bond rules. To this end, a fairly robust monitoring process was laid out at the October, 1951, board meeting, where it was noted that:

> every effort was made to ascertain that [an applicant] was a member before a loan was granted. The Treasurer pointed out that each loan application was thoroughly checked and that each applicant was asked if he was a member of the State Employees Association. The suggestion was made that it might be possible to have a blank on the application where the number of the employee's membership card could be filled in. The Secretary suggested restricting new applications for membership in the Credit Union by not approving them until prospective applicants had become members.[82]

80 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, November 19, 1951, Papers of the VSECU, 1.
81 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, November 17, 1952, Papers of the VSECU, 2.
82 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, October 8, 1951, Papers of the VSECU, 1.

Two months later, a plan was enacted by which the credit union's treasurer would receive a copy of all the union cards of VSEA members for the purpose of creating a list against which new applications could be checked.[83]

Though the credit union abided by this system faithfully, it contained a loophole that was quickly discovered and exploited by many state employees who wished to access the services of the credit union without having to pay for union membership. Since the credit union only checked new applicants systematically, it was possible first to join the VSEA, then join the credit union, then allow the former membership to lapse. By May of 1953, this was clearly an important enough issue that the very first recommendation of the credit union Policy Committee's report noted:

> Relative to the provision of our By-laws, that a member of the Credit Union must be a member of the V.S.E.A., methods have been devised to determine the status of an applicant regarding V.S.E.A membership at the time application is made for the Credit Union, but many times the question has arisen as to the disposition of the accounts of present members of the Credit Union who have not paid their V.S.E.A. membership dues in subsequent years, and are therefore not members of V.S.E.A. Inasmuch as the V.S.E.A. By-Laws (Law II, Section 1) specifically state that no person may vote or hold office unless his dues are paid on or before September 1st of each year, it is clear that one who has not paid his dues cannot be treated as a member of the Credit Union. This would mean that his loan might be called and that his share account could not draw dividends. It is suggested that the treasurer be directed by the Board to dispose of such accounts. It is possible that a reasonable time limit following September 1 be allowed; say 30 or 60 days.[84]

Such a policy would have made it quite dangerous for credit union members to exploit the loophole; were they found out, they would be at risk of having the whole balance of

83 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, December 8, 1952, Papers of the VSECU, 1.
84 Policy Committee Report, May 11, 1953, Papers of the VSECU, 1-2.

their loan called. However, the VSECU board declined to enact the proposal, and instead simply instructing the Education Committee to include "A warning ... in the September and December issues of the Bulletin to the effect that membership must be maintained in the Association if a person is to continue as a member of the Credit Union."[85]

This course of action suggests a growing ambiguity in the VSECU's relationship with the VSEA. Had it adopted the Policy Committee's suggestion, the credit union might have found itself required to sacrifice its own institutional interests for those of the union. While such a powerful deterrent to gaming the system might have appealed to the VSEA, its potential to turn good loans bad likely softened the VSECU's line on the matter. In any case, the adopted strategy of moral suasion seems to have been a weak deterrent to continued cheating; at the Board meeting of February 1955, it was reported that 135 credit union members had not paid their VSEA dues.[86]

That year, 1955, seems to have been something of a tipping point for the VSECU. Though strong collaboration with the union continued on many fronts, the trends that had begun to unfold in the early 1950s accelerated during the second half of that decade. When VSECU President Robert Simon noted in his report to the Annual Meeting in January of 1955 that a policy had been adopted so that "the Credit Union may better serve all its members, as well as the Vermont State Employees Association members," he was staking out a new identity.[87] Though the credit union's "common bond" still restricted

85 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, June 8, 1953, Papers of the VSECU, 2.

86 Minutes of Regular Monthly Meeting of the Vermont State Employees Credit Union, February 14, 1955, Papers of the VSECU, 1.

87 Report of the President to Vermont Employees Credit Union, January 21, 1955, Papers of the VSECU,

membership to members of the VSEA, President Simon affirmed that the credit union did not simply exist for the benefit of the union, but also for the benefit of its members *as credit union members*. Though, in this case, the interests of the two identities were in alignment, they were no longer *inherently* so. The possibility for conflict was now ever so subtly on the table, and the ensuing years would experience numerous struggles as the credit union increasingly asserted its interests even when they undermined those of its founding organization.

3.

Chapter 4

Pushing Boundaries and Expanding Bonds

From the mid-1950s until the end of the 1960s, the credit union's growing institutional independence underlay a series of increasingly contentious inter-organizational conflicts over dues enforcement and the boundaries of the common bond. While the VSECU still made good faith efforts to keep its members honest through the mid-1960s, its commitment to enforcement waned appreciably as the first common bond expansions fostered a growing minority of credit union members who felt little or no connection to the union. As a result of these factors, this period was one of profound transformation for the credit union as it evolved from a creature of the VSEA in 1955 to the cusp of independence by 1969.

As noted in the previous section, the VSECU's institutional interests had begun to diverge from those of its parent organization just a few short years after its founding, but, by the late 1950s, this process had become more conscious. At the VSECU's board meeting of February, 1958, Auditing Committee member Charles E. Howe "called attention to the overlapping of credit union directors and VSEA trustees and the desirability of avoiding this in the future."[88] In so doing, Howe challenged the symbiotic model that had characterized the two organizations' relationship up to that point: if their interests were entirely in alignment, separate leadership would be unnecessary. Howe's

88 Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, February 10, 1958, Papers of the VSECU, 2.

statement can be interpreted as an acknowledgement of growing tensions between the interests of the VSEA and the VSECU, and thus the need for a credit union leadership that would put the interests of their own institution front and center.

Over the next few years, the credit union picked up more and more of the costs that had previously been borne by the union or the state. The changing nature of the education committee's activities provide an excellent example of this dynamic in action. Long gone were the days in which the committee bragged about not having spent a dime on its efforts: by 1967, its budget was in excess of three thousand dollars.[89] One cost that the committee partially internalized was that of communicating with the organization's members. Until 1959, the credit union relied almost entirely upon the VSEA Bulletin for getting the word out about the VSECU to state employees. That year, however, in addition to its usual articles in the Bulletin, the education committee mailed three pamphlets to members at a cost to the credit union of $380 in printing, postage, and labor costs.[90] This pattern of supplementing Bulletin inserts with independent pamphlet mailings continued for the next four years, until, in 1963, the VSECU published the first issue of its own newsletter. The education committee initially struggled with the task, but, when it was suggested at the VSECU board meeting of March, 1964, that they return to using the VSEA Bulletin, "a long discussion followed."[91] The next month, the board voted to to publish "a separate news letter with small advertisements in the Bulletin,"

89 Educational Committee Report, January, 1968, Papers of the VSECU.
90 Education Committee's Annual report, January 25, 1960, Papers of the VSECU, 2.
91 Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, March 9, 1964, Papers of the VSECU, 2.

suggesting that, in spite of the costs of such an endeavor, the credit union's leadership was committed to having their own entirely independent voice.[92]

Another cost that the educational committee partially took responsibility for during this period was that of the "social capital" of the credit union's membership. Though still drawing greatly upon the resources and social knowledge of VSEA Chapter representatives, the credit union faced new challenges as it expanded and gradually came to include an increasing number of members (such as members' relatives) who were not part of the VSEA. Since these new members were not as tightly connected to the community of state employees, the information that the VSEA could offer about their credit worthiness was quite limited. Partially to counteract the growing alienation of the credit union's members from each other that this entailed, the education committee followed up the 1960 annual meeting with "a light lunch to give the members an opportunity to linger on and get acquainted."[93] The meal proved to be immensely popular, and so the VSECU took the idea one step further at the 1963 annual meeting, when it sponsored a roast beef dinner for which it paid 60% of the cost of its members' meals.[94] These dinners quickly became major social events; the 1973 dinner was attended by 1,160 members and guests, and "entertainment was provided by Mr. John T. Colby with musical selections on the organ and leading in group singing."[95]

92 Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, April 13, 1964, Papers of the VSECU, 1.

93 Vermont State Employees Credit Union Education Committee 1961 Annual Report, January, 1962, Papers of the VSECU, 1.

94 Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, December 10 1962, Papers of the VSECU, 2.

95 Minutes of the Twenty-Sixth Annual Meeting of the Members of the Vermont State Employees Credit Union, March 19, 1973, Papers of the VSECU, 1.

The impact of these meals on the credit union's development is intriguing. They definitely served the education committee's stated purpose of providing members with the opportunity to "linger on and get acquainted," but they did so in a way that also helped to fuel the credit union's growing independence from the VSEA. Although the majority of attendees were also union members, their primary identity in that space was that of a *credit union* member. In this light, the dinners might be understood as a yearly ritual which served to reify the independent institutional identity of the credit union to thousands of its members. They were not being fed, entertained, and rewarded with door prizes by a mere subsidiary of the VSEA; it was their independent credit union that was the source of the largess.

An additional possible function of the dinners might be understood in terms of their value to the credit committee. It is possible that some of the social knowledge embedded in relationships that had been initiated or deepened by the dinners might have been used by in weighing loan applications. For instance, if one of the committee members made a friend at a meal who reported that a co-worker probably wouldn't be able to pay the loan he was applying for, the credit union might have avoided making a bad loan that it would otherwise have made had the relationship facilitated by the dinner never been formed. It is thus possible that, in addition to their other effects, the meals might indirectly have increased the VSECU's efficiency by allowing for a more judicious distribution of credit.

Another cost that the credit union internalized in this period was that of its space.

Through the 1940s and 1950s, the credit union had occupied a variety of spaces that had been, essentially, donated to them by the state. This had been a huge subsidy when the credit union was small, but, by the early 1960s, its operations were outgrowing the space that the state was willing to provide.[96] As a result, in September, 1963, the board of directors authorized the construction of a one story building to house the credit union, and the new office was dedicated on September 18th of the following year.[97] By owning its own building that was not dependent on the patronage of another organization, the VSECU took another step towards becoming a fully independent institution.

A final example of the credit union's increasingly independent identity can be seen in the changing conception of the role and character of its leadership. Despite the Auditing Committee member Charles Howe's warning in 1958 about the dangers of an interlocking directorate between the VSEA and VSECU, the credit union's leaders were expected to be union members. Although the "once a member, always a member," rule allowed individuals leaving the employ of the state to remain members of the credit union, several board members resigned in the late 1950s and early 1960s because they felt that they were not qualified to serve in a leadership role without being state employees. Indeed, the belief that officeholders should be state employees was general. Even when the board of directors debated expanding the "common bond" in December, 1960, one member proposed that non-union members be permitted to join the credit

96 Report of the Planning Committee, 1963, Papers of the VSECU.

97 Minutes of a Special Meeting of the Directors of the Vermont State Employees Credit Union, September 30, 1963, Papers of the VSECU; Gilbert Parker to VSECU Membership, September, 1964, Papers of the VSECU.

union with the proviso that they be prohibited from holding office.[98]

As the credit union's independence increased, however, this perception began to shift. Part of the change might be attributable to the activities of the education committee in the mid-1960s. While it had previously directed its energies entirely towards informing the rank-and-file members about the various benefits and services available through the credit union, the committee's report to the annual meeting of January, 1963, included a new focus. "We believe," they declared, "that in order for the Credit Union to promote the philosophy of the Credit Union movement, education of the Officers, Directors and Committee-members is essential. To this end, a copy of the 'Credit Union Bridge', a publication of the Credit Union National Association is sent monthly to each Officer, Director, and Committee member."[99] By undertaking this project, the educational committee was actively challenging the core ideas that defined what it meant to be a leader of the VSECU. Up until this point, that identity was firmly rooted in a commitment to the VSEA. The center of the alternative identity proffered by the education committee starting in 1962 was instead the credit union itself, as embedded within the context of the larger credit union movement.

The development of these identities was not, it seems, simply the result of the idiosyncratic developmental path of the VSECU; rather, they reflect broader trends in credit unionism. While still head of the Credit Union National Association, Roy Bergengren identified there to be

98 Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, December 12, 1960, Papers of the VSECU, 2.
99 Education Committee Report, January, 1963, Papers of the VSECU, 1.

> two 'fairly-well defined concepts' within the movement. 'One group ... thinks of the credit union as a personnel activity in industry. As such, it takes care of the short-term-credit problem of employees on a humane basis, and performs a useful function which is appreciated by both employee and employers. The other concept is that cooperation is a sort of circle made up of segments, and that the credit union is one of the segments, and therefore a part of the co-operative whole.'[100]

Although the VSEA was a union, not a business, the logic of Bergengren's "industrial" category definitely applies to the initial identity of the VSECU, as it conceived of the credit union's purpose as subordinate to that of its sponsoring organization. While not as conscious of the overall co-operative movement as Bergengren's latter category, the VSECU's emergent identity shares with it a shift in focus away from the founding organization and towards the credit union on its own terms. As such, it might be validly labeled as the "credit unionist" identity.

The shift from the "industrial" to the "credit unionist" mind-set did not happen overnight, but steadily progressed over the course of the 1960s. A key moment, however, occurred in 1967, when director Lawrence Gauthier announced to the September board meeting that he was resigning from his state position, and inquired into the feelings of the board as to his remaining in a leadership role in the credit union. Their response was "that any member of the Credit Union is eligible to serve as a Director whether a state employee or not, and the members of the Board present expressed a unanimous feeling that they would be pleased to have Mr. Gauthier continue as a Director." Their statement makes it clear that, by this point, the board had transitioned to a predominantly "credit

100Moody and Fite, 215-216.

unionist" identity.[101]

The credit union's growing material and ideological independence from the VSEA manifested itself most vividly in the struggles over the contours of the VSECU's "common bond." Back in 1950, when the VSEA Council had suggested expanding the "common bond" to include state employees who were ineligible for union membership, the credit union's leadership had balked, likely due to their continued desire for a tight relationship with their parent organization. However, when the same issue re-emerged in 1956, the roles were reversed in a pattern that would persist in future contests over the boundaries of the membership for the next decade and a half.

The first mention of changing the field of membership since the board's rejection of the idea in 1950 came in December of 1956. At that board meeting, director Lee Bates proposed that the the credit union's bylaws be changed to allow membership for: (1) credit union employees, (2) retired state employees, and (3) state employees who were ineligible for VSEA membership. The proposal included retaining the requirement that any employee who was eligible for VSEA membership must be a member of that organization in order to join the credit union.[102] It passed, and a notice was sent to the membership that they would be asked to consider these proposed changes at the upcoming annual meeting.[103]

Strangely, the proposed amendment is conspicuously absent from minutes of the

101Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, September 11, 1967, Papers of the VSECU, 2.

102Minutes of the Regular Monthly Meeting of the Vermont State Employees Credit Union, December 10, 1956, Papers of the VSECU, 2.

103Notice of Annual Meeting, January 7, 1957, Papers of the VSECU, 2.

1957 annual meeting. It is not that it was voted down; rather, it was never even mentioned, even though all of the other proposed bylaws changes were debated and passed.[104] The explanation for this oddity is suggested by a letter addressed to "Members of the Vermont State Employees Association" from Robert Simon, who had been the credit union's president in the early- to mid-1950s. In his letter, Simon lays out an impassioned argument against modifying the "common bond." He begins by contrasting the recent strong growth of the credit union with the fact that "the State Employees Association membership to date is 1,513 as against 1,871 for the same period last year." Enacting the amendment, he worried, would "have a deterrent effect on the membership of the Association." Simon put it in no uncertain terms: he believed the credit union's *raison d'etre* was to strengthen the VSEA. He wrote:

> A fact which should not be lost sight of is that the Credit Union was sponsored and aided by the Employees Association for the mutual aid of its membership. This principle which the founders acted upon was of good judgment. ... Since the Credit Union was established to promote mutual assistance to all those persons who have signified their interest in and advancement of the State Employees Association by being a members is another reason for not changing the present [by-laws].[105]

Simon's letter may have been the reason that the amendment was not even discussed at the 1957 annual meeting; that would suggest that the "industrial" perspective still had weight and influence among the credit union's members and leadership.

Though they remained persistent, advocates of prioritizing the credit union's

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104Minutes of the 10th Annual Meeting of the Vermont State Employees Credit Union, January 18, 1957, Papers of the VSECU, 2-3.

105Robert Simon to Members of the Vermont State Employees Credit Union, January 18, 1957, Papers of the VSECU.

interests over those of the union made only modest gains in expanding the "common bond" over the next few years. At the 1958 annual meeting, a more moderate proposal aiming to include only state employees who were ineligible for VSEA membership was shot down without even coming to a vote.[106] Modest success finally arrived in 1959, when the annual meeting approved an amendment which extended membership rights to paid staff of the credit union.[107]

Given the fact that the failed proposals to expand the common bond in the late 1950s originated from the board of directors, it is clear that the credit union's leadership transitioned from an 'industrial' to a 'credit unionist' perspective of their organization substantially earlier than did the rank-and-file membership. By 1961, however, some of the members were beginning to catch on. After having experienced another modest success in 1960, when the "common bond" was extended to include organizations comprised of VSEA members, the board again advanced the proposal to the 1961 annual meeting that membership be opened to state employees who were unable to join the VSEA.[108]

At this meeting, however, something new happened; a member moved from the floor that the motion be amended to drop the VSEA membership requirement entirely. Though this amendment was dismissed with a voice vote, the original proposal was not,

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106Minutes of the 11th Annual Meeting of the Vermont State Employees Credit Union, January 27, 1958, Papers of the VSECU, 1.

107Minutes of the Twelfth Annual Meeting of the Vermont State Employees Credit Union, February 2, 1959, Papers of the VSECU, 2.

108Minutes of the Thirteenth Annual Meeting of the Vermont State Employees Credit Union, January 25, 1960, Papers of the VSECU, 2.

and, unlike in the 1958 meeting, it went to a vote. Though the amendment was defeated by a margin of 76 to 30, the vote nonetheless revealed that there now existed a substantial minority of credit union members who favored greater institutional independence for their co-operative.[109]

After the 1961 repudiation of the by-laws change by the membership, the board did not come forward with another recommendation to alter the common bond for several years. However, as the credit union continued to grow, the boundaries of the existing common became increasingly onerous and constricting. In his report to the 1964 annual meeting, President Parker observed that "about 30% of the classified state employees are not credit union members. We can help many non-members by encouraging them to use the credit union for share and loan accounts." The credit union was fast closing in on its maximum possible scale under the current by-laws, and, in order for the organization to continue growing, expanding the pool of potential members was becoming essential. In concluding the report, Parker hinted at his preferred source of new members when he noted that "we are indeed fortunate to have a financial institution of adequate size to serve the needs of *all state employees* [emphasis added]."[110]

The credit union took another step in that direction the following December when it was proposed to the board that the families of current members be added to the common bond. This was apparently too radical for some board members, but they ultimately ended up voting to recommend the change to the annual meeting by a margin

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109Minutes of the Fourteenth Annual Meeting of the Vermont State Employees Credit Union, January 23, 1961, Papers of the VSECU, 2.

110President's Report, January, 1964, Papers of the VSECU, 2.

of six to two.[111] Such reservations were not held by the general membership, who voted unanimously to adopt the resolution the annual meeting in January, 1965.[112]

Not only did this change greatly expand the pool of possible new credit union members, but it also raised troubling questions around the relationship of those members to the VSEA. These issues were of enough concern to the board that they wrote to the Deputy Commissioner of Banking, who rendered an opinion in a letter to the April meeting that "regarding borrowing by an employee no longer a member of the Vermont State Employees Association, in his opinion a new loan cannot be made in excess of shares held." The implication of this was that there might exist separate classes of members, which raised further questions.[113]

To help untangle the issue, the board invited Robert Rosegrant, the head of the Vermont Credit Union League, to attend their next meeting. According to the minutes of that gathering, "there was considerable discussion by Mr. Rosegrant and the board regarding the field of membership as well as full memberships as opposed to limited memberships."[114] Though details of the discussion are lacking, it is reasonable to infer that the consensus was against the idea of limited memberships due since that the board did not subsequently adopt such a policy.

The adoption of family memberships seems to have satiated the more growth-

111 Minutes of the Regular Monthly Meeting of the Board of Directors of the Vermont State Employees Credit Union, December 14, 1964, Papers of the VSECU, 2.

112 Minutes of the Eighteenth Annual Meeting of the Vermont State Employees Credit Union, January 25, 1965, Papers of the VSECU, 1.

113 Minutes of the Regular Monthly Meeting of the Board of Directors of the Vermont State Employees Credit Union, April 12, 1965, Papers of the VSECU, 2.

114 Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, May 10, 1965, Papers of the VSECU, 2.

oriented directors for a little while, as no proposal for further expansion of the field of membership was forthcoming in the run-up to the 1966 annual meeting. By the end of that year, however, the "credit unionists" on the board were again pushing for another amendment. At the December meeting, "the President and the Treasurer presented three suggested amendments to the By-Laws. Following considerable discussion, upon a motion by Mr. Eldred, seconded by Mr. Babic, it was voted not to accept the first suggested change in Article II, Section 1, relating to membership limitation," and the matter was not discussed at the annual meeting.[115] This failure suggests the limits of the majority of the VSECU leadership's "credit unionist" perspective. They had been willing to embrace expansion up to a point, but remained too attached to the VSEA to cut ties with the union entirely as the proposal to expand membership to all state employees would do.

As a result of this conservatism, the initiative shifted from the board of directors to the credit union's ordinary members. After the directors declined to advance a proposal to expand the common bond at the 1968 annual meeting, "a question was raised from the floor as to the reason for the requirement of membership in the [VSEA] to be eligible to join the [VSEA] to be eligible to join the [VSECU]. President Farrington explained briefly the origin of the requirement and the feelings of the majority of the Directors which have motivated its retention."[116]

115Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, December 12, 1965, Papers of the VSECU, 3.

116Minutes of the Twenty-First Annual Meeting of the Members of the Vermont State Employees Credit Union, January 29, 1968, Papers of the VSECU, 3.

The dissident members didn't simply take this lying down; instead, they organized. In November, 1968, the credit union board "discussed at length ... a rumored petition to be presented to the Board requesting the amendment of the bylaws to remove the requirement of membership in the [VSEA]. The Manager was to also seek the advice of the Banking and Insurance Department on the procedure to be followed should such a petition be presented to the Board or to the Annual Meeting."[117] Sure enough, four petitions with over one hundred fifty signatures were received the next month. Intriguingly, the wording of one of the petitions differed from the other three, suggesting that feelings on the issue were strong enough that multiple groups within the membership might have been working in parallel towards the same goal without knowledge of each others' activities. Nonetheless, it was clear that all of the petitions were aimed at the same change, and, after a discussion, the board voted by a margin of seven to one "to refer the proposed amendment to the members with a statement that the Board of Directors recommends that it shall be adopted."[118]

At the subsequent annual meeting in January, 1969, the by-laws amendment was introduced by the vice-president, who informed the assembled that it had been initiated by "a petition signed by about 250 members," and that it had received the endorsement of the board of directors. When the vote was taken, the meeting's minutes report that "the motion failed to receive the affirmative vote of two-thirds of the members present as

117Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, November 18, 1968, Papers of the VSECU, 3.
118Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, December 9, 1968, Papers of the VSECU, 2.

required [to amend the by-laws]."[119] Although this statement is ambiguous, it suggests that the resolution may have received the support of a simple majority of the membership. This represents a truly radical shift in the perspective of the bulk of the members from the "industrial" to the "credit unionist" orientation since the annual meeting of 1961, when the same proposal had been overwhelmingly rejected in a simple voice vote.

119Minutes of the Twenty-Second Annual Meeting of the Members of the Vermont State Employees Credit Union, January 20, 1969, Papers of the VSECU, 2.

Chapter 5

Independence

The final push came in October, 1969, when the VSECU's board received a complaint that the credit union was issuing

> loans to employees who [were] not members of the Vermont State Employees Association, and on the counseling of Credit Union members to sign up for the 60¢ biweekly VSEA deduction at the time of joining the Credit Union or applying for a loan, and then resigning from the VSEA after one deduction. The Manager stated that he did confirm the existence of such a loophole upon direct questioning by any member or prospective member, but he denied the practice of volunteering the information.[120]

The candid admission of the manager to turning a blind eye to cheaters exploiting the loop-hole while making no effort to close it suggests that the loyalty the VSECU's leadership once had for the union was wavering.

This impression is further reinforced by the reaction of the board itself. In the past, when the credit union had been called upon by the VSEA to enforce the membership requirement, it had quickly taken steps to rectify the problem. In 1957, for instance, it responded by adopting a policy which stated that "no new accounts and/or new loans shall be made or accepted by the Credit Union unless the Treasurer is satisfied that the employee's current dues in the Vermont State Employees Association, Inc. have been paid."[121] By contrast, the immediate reaction of the board in 1969 was to begin discussing

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120Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, October 10, 1969, Papers of the VSECU, 3.

121Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, February 11, 1957, Papers of the VSECU, 2.

"whether to seek an amendment to the By-Laws to eliminate the VSEA membership requirement entirely," and a subcommittee was appointed to study the loop-hole.[122]

Further pressure towards this end was exerted when Steve Zuanich, the chairman of the credit committee, resigned in protest six days after that meeting. In his letter to the board of directors, Zuanich explained:

> I feel very strongly about this business of having to be a member of the Vermont Employees Association [sic] in order to belong to the Vermont Employees Credit Union [sic]. I also think that now that we allow family members and retired state employees to enjoy the benefits of the Credit Union without being members of the [VSEA], we are being very unfair to working state employees. ... I am presently a member of the V.S.E.A., although I firmly believe it is a waste of money, of which state employees presently have a [sic] little of.[123]

Zuanich's statement is a powerful expression of the growing 'credit unionist' perspective. In it, he identifies far more with the VSECU than he does with the union that founded it, and the latter institution even takes on parasitic qualities in his eyes. Furthermore, Zuanich's letter aptly expresses the logic of the slippery slope that opening the field of membership up to earlier groups had initiated. Once some members had to pay union dues to be a part of the credit union while others were exempt, resentment was bound to fester.

Action in one manner or another was assured on November 4, when the Deputy Commissioner of Banking responded to an inquiry from the subcommittee which had been tasked with investigating the loop-hole. "In accordance with your present by-laws,"

122Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, October 10, 1969, Papers of the VSECU, 3.

123Steven Zuanich to VSECU Board of Directors, October 16, 1969, Papers of the VSECU.

he wrote, "the individual must be a member of the V.S.E.A. He need not retain such membership in order to remain a member in good standing of the credit union."[124] The implications of this judgment were striking; under the current by-laws, it was therefore perfectly legitimate and sanctioned by the state for an individual to join the VSEA, pay dues once, join the credit union, and then let his or her VSEA membership lapse. Thus, membership in the VSECU was already, for all intents and purposes, explicitly open to all state employees regardless of union membership. This situation would have to be rectified, either by closing the loophole and potentially shutting out hundreds of current members who were taking advantage of it, or by making official what was already a somewhat common practice by opening membership to all state employees.

The board chose the latter course by an eight to one margin at its December meeting, and the issue was put before the membership once again at the annual meeting on February 9, 1970. During this meeting, the amendment received support from an unlikely quarter: Lloyd Potter, the President of the VSEA "spoke in favor of the amendment, and he expressed the hope that in the future the field of membership would be broadened to also include the paid employees of the Vermont State Employees Association." With all of these forces aligned in its favor, the amendment passed with a resounding mandate of two hundred fifty four in favor to four opposed.[125]

When asked why Potter willingly gave up what was essentially a union asset, Terry Macaig recalled that "he thought it wouldn't make any difference, but he was

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124Richard C. Campbell to Clyde M. Coffrin, November 4, 1969, Papers of the VSECU.

125Minutes of the Twenty-Third Annual Meeting of the Members of the Vermont State Employees Credit Union, February 9, 1970, Papers of the VSECU, 1-2.

proven wrong" as the union's membership rolls subsequently took a hit.[126] Furthermore, to add insult to injury, Potter's desire that VSEA staff be included in the credit union's field of membership was ignored. After vacillating for two years over the issue, the VSECU board of directors voted in January of 1972 to include the amendment on the upcoming annual meeting's agenda, but also voted six to three to not endorse it.[127] Despite Potter's earnest entreaties at the subsequent annual meeting, the membership was solidly on the side of the directors and voted to reject the measure by a margin of more than two to one in a powerful demonstration of the union's waning influence on the VSECU.[128]

The credit union, on the other hand, continued to expand robustly after the implementation of its new field of membership, to the point that it caused some consternation. In December, 1972, it was brought to the attention of the board that a member had asked for his step-son to be allowed to join the credit union as a family member. In the discussion that followed,

> it was brought out that to allow a person who had joined as a member of the immediate family of a state employee member to later enroll his own immediate family could result in a great number of members only remotely related to a state employee, thus eventually changing an occupational credit union into more of a community credit union. However, with the 'once a member, always a member' clause it is questionable that a closely related group will be maintained anyway. ... On the issue of whether a person could join the Credit Union by virtue of being a member of the immediate family of a 'family member' of the Credit Union, the Board expressed disagreement with the liberal interpretation of the statutes and by-laws which would permit such

126Macaig, interview.

127Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Association, January 10, 1972, Papers of the VSECU, 2.

128Minutes of the Twenty-Fifth Annual Meeting of the Members of the Vermont State Employees Credit Union, March 20, 1972, Papers of the VSECU, 2.

dilution of the membership.[129]

Despite board members' misgivings at the time, this statement proved to be remarkably prophetic, as the VSECU continued to grow consistently and to incorporate new groups into its common bond over the next several decades. It finally became a community credit union *de jure* in 2002, when it changed its by-laws to allow anyone who lived or worked in six Vermont counties to become a member, and, in 2010, it became the first credit union to have a common bond that included the entire state of Vermont.[130] With 47,485 members and more than $538 million in assets at the end of that year, the VSECU had become one of the largest financial institutions in the state.[131]

129Minutes of the Regular Monthly Meeting of the Directors of the Vermont State Employees Credit Union, December 11, 1972, Papers of the VSECU, 2-3.

130Bylaws, 2002, Papers of the VSECU, 3; VSECU, "VSECU First Credit Union to Serve All Vermonters," https://www.vsecu.com/articles/vsecu-first-credit-union-to-serve-all-vermonters (accessed February 26, 2011).

131National Credit Union Administration, "Individual Credit Union Data Summary," http://www.ncua.gov/DataServices/CreditUnionList.aspx?State=VT (accessed February 26, 2011).

Conclusion

This narrative of the radical transformation of a tiny "populist" group of VSEA members that started out with thirty-five dollars and seven subscribers in the winter of 1946 into a highly professional institution with hundreds of millions of dollars in assets offers some interesting insights into the issues raised at the beginning of this study. First, it serves as a window into the lived experience of the transitions described by the Sibbald-Ferguson-McKillop and MacPhersonian models of credit union development. While the VSECU itself seems to have been moving from a "populist" to a "managerial" culture during the years studies here, the struggle between the members of the credit union was not framed in those terms. Rather, both the "credit unionists" and members loyal to the union ascribed to the assumptions of the "populist" model. As MacPherson notes, "populist" credit unions evince an "abiding commitment to their communities, however they may be defined -- by geography, association or employment."[132] The "credit unionist" insurgents did not contest the core of this idea; rather, they desired to re-draw the boundaries of the credit union's community so that it included all state employees.

The "populist" orientation among the organization's membership continued to persist for decades, even as the VSECU grew quite large and employed an extensive professional staff. This continuity was demonstrated quite powerfully when, in 2007, the VSECU's board and management proposed changing the credit union's name to "Veristate Credit Union." The proposal sparked a minor scandal and almost a dozen letters to the

132MacPherson, *Hands Around the Globe*, xiv.

editor of the *Times-Argus* newspaper. Echoing the struggles of the 1960s, the proposal was rejected by a close vote of 5,838 to 5,127 at the annual meeting.[133] This continued member buy-in is likely attributable to the fact that, unlike the vast majority of large credit unions, the VSECU never went through a merger as it grew. Though the exact mechanisms are unclear, mergers seem to have a destructive effect on credit union member identity and engagement with their institution.[134]

Additionally, this study also suggests that, for Roger Spear's model of "distributed entrepreneurship," "supportive external stakeholders" might be motivated to engage in co-operative entrepreneurship as a strategy for strengthening their own organizations. However, as the VSEA's experience demonstrates, such a strategy is not risk-free if the founded organization is legally independent. As time wore on, the claim that the union could make on the VSECU decayed until, twenty five years in, the VSEA's agenda could command the loyalty of less than a third of voting credit union members.

On an individual level, this process took the form of the development of a new identity. In its early years, the VSECU was made up of union members who happened to take advantage of the services offered, as they saw it, by the union's credit union. As the experience of those early adopters clearly demonstrated the personal benefits of credit union membership to their co-workers, new members joined the VSEA for the instrumental purpose of gaining access to the VSECU. Though the VSEA benefited from the boost in membership that this entailed, these new members loyalties were the inverse

133Mel Huff, "VSECU name change defeated," *Montpelier-Barre Times-Argus*, March 29, 2007.

134Keith J. Leggett and Robert W. Strand, "Membership growth, multiple membership groups and agency control at credit unions," *Review of Financial Economics* 11 (2002): 41.

of the early adopters'; they were more identified with the credit union than they were with its founding organization.

By the late 1950s, this element of the credit union's membership had grown to the point where the hegemony of the early adopters' "industrial" identity was beginning to falter. The alternative "credit unionist" identity embodied by the newcomers fueled the petition drive which forced a vote on expanding the common bond in 1969, and reached its fullest articulation that same year when Steve Zuanich openly acknowledged in his letter of resignation that the only reason he paid dues to the VSEA was so that he could use the credit union. For him and his fellow travelers, the union wasn't just secondary to their identity; it was, in fact, an unwanted element that they would prefer to excise entirely. The subsequent rejection of the inclusion of VSEA employees into the field of membership two years later can thus be understood as the further expression of this perspective. After achieving independence, the "credit unionists" had no desire to return to a closer relationship with their organization's erstwhile "external stakeholder" in any way, shape, or form.

This experience underscores the importance of individual agency in understanding credit union (and co-operative) development. Had the VSEA instead founded a savings bank in which the union held full property rights, the question of whether or not the bank should cut its ties with the organization that owned it would likely never have come up. Since the VSECU was governed on the principle of one member, one vote, however, its policies were inherently the reflection of the self-perceived interests of the members. In the 1940s and 1950s, when the majority of the membership believed their interests were served by intimate co-operation between the union and the credit union, that state of affairs prevailed. However, when a new identity that attributed little value to that collaboration became the majority perspective of the membership, it was quickly translated from opinion into action through the organization's democratic structure.

This dynamic highlights the importance of a bottom-up perspective for future scholarship of co-operative institutions. While the behavior and development of more hierarchical firms and organizations might be validly understood through studies that focus primarily on their leadership, the democratic structure of co-operatives means that a great deal of agency rests in the hands of the ordinary member. It is only by understanding the nature of such individuals' understandings of, beliefs about, and aspirations for their co-operatives that it is possible to fully engage with the complexities of co-operative development.

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