

BUILDING REAL WORLD EXAMPLES

by Ron Ehrenreich



Our local, the CNY Reds (www.cnyreds.org) held a forum in April on the campus of Syracuse University and the SUNY School of Environmental Science. The topic Socialism: An Alternative to Austerity and Unemployment drew over 40 people. It was a great panel discussion with thoughtful questions. One of the questions posed is one that we often get: Are there real world examples of the bottom-up socialism that we advocate?

Panelists responded that there was no society yet that was fully socialist, but there were glimpses of socialism present in various organizations around the globe. Examples given by the panel included the TRADOC Cooperative in Mexico (1,050 worker-owners), the Mondragon cooperative network in the Basque region with 85,000 worker-owners, and Syracuse's own Cooperative Federal, a radical credit union with 3800 member-owners that opened in 1982 and has a community development mission (www.coopfed.org).

Cooperative Federal's founders, mostly "baby boom" generation activists, learned organizing skills through participation in the Civil Rights movement, the feminist

movement, the student and anti-war movements, and other social justice movements of the 60s, 70s, and 80s. Yes, some of us were Socialists.

Like other Rust Belt cities, Syracuse was in the midst of a spiral of "deindustrialization" and "hollowing out." These resulted in relocation of capital, workplaces, and jobs. Deindustrialization was really a move of capital, industry, etc. to low-wage areas of the globe in quest for higher profits. Hollowing out moved capital, jobs and housing from inner-city urban areas into the surrounding suburban sprawl — driven by the quest for profits, government subsidized green-field development, and discrimination of class and race.

Return of the Jedi

Urban residents fought back in many ways. Cooperative Federal was envisioned as a vehicle for meeting community financial needs in our distressed urban neighborhoods, and for deploying collective savings positively and responsibly. To get it started, I passed the hat at a meeting of our SP local, and came up with the initial

capital investment for the credit union — \$30.

Not realizing that it was impossible to start a financial institution with \$30, we went ahead anyway. Our goals included divestment from the racist Apartheid regime in South Africa; and providing fair and friendly financial services for everyone that banks turned away, including low-wage workers, people of color, single women, the LGBTQ community, activists and part-time or nontraditional workers. Cooperative Federal would be a non-profit financial cooperative operated by the people, for the people.

In addition, the founders demanded that the credit union be sound, fiscally responsible and accountable. Such a credit union, we hoped, would help build a foundation for a community-based economy and gain a measure of independence from a distant and unresponsive global economy.

Credit What?

A credit union is a member-owned, not-for-profit, financial services cooperative. It is owned and governed by its “customers” or members, as they are called. There are no other owners. Credit unions are governed using the principle of one member, one vote, and follow the other cooperative principles as well.

Globally, there are 51,000 credit unions in 100 countries with a combined 196 million members. In the US, there are 7,070 credit unions, with 96 million members. Credit unions are the most extensive cooperative organizations in the US. Generally, credit unions have fairer terms,



lower fees, better rates, and more flexibility in meeting member needs than for-profit financial institutions like banks, check cashers, payday lenders, etc.

Of all US credit unions, only 244 are “Community Development Credit Unions” (CDCUs) with a mission to serve

underserved members or communities. Cooperative Federal has become a leader among this small group of CDCUs in its impact on its community.

What Can Be Done?

What can a CDCU with a radical bent achieve? In 2013, Cooperative Federal has \$20 million in assets, 23 workers and operates three offices in urban neighborhoods abandoned by the banks. We also have three “nano” offices in the city’s high schools, run by students. We provide fair and affordable financial services and loans to people shunned by banks. A majority of members are people of color. Twenty percent of members have Spanish as their first language. And 82 percent of borrowers are living on low income. We serve many new Americans, immigrants, and refugees.

Financial services are coupled with what are called “development services” — financial education, advice, and coaching. Half of our staff is bilingual. We also provide development services for English Language Learners.

So far, Cooperative Federal has deployed (invested) over \$105 million into Syracuse in loans and mortgages to members. We serve as a recycling center for money. We use the otherwise idle money of savers to lend to borrowers. We focus loans where it will have the most impact for our community – creating first-time homeowners, starting or growing micro-businesses and cooperatives, and improving finances at the household level.

American Dream

Cooperative Federal offers mortgages for purchase, repair, and improvement, and we help members refinance away from high-cost or predatory mortgages. First-time homebuyers can earn up to \$9,500 in downpayment matching grants. Since 2006, we have made 271 housing loans, totaling \$14.6 million. Seventy-two of these loans, for \$5.2 million, have been to first-time homebuyers (64 percent of purchase mortgages). We provided \$132,000 in “matching grants.”

Self-employment Instead of Unemployment

We help create alternatives to unemployment by investing in small and micro businesses. We focus on serving businesses that are marginalized by mainstream banks,

including start-ups, businesses in low-income neighborhoods, businesses owned by women and people of color, and people with disabilities. Since 2006, we have made 219 business loans, totaling \$5.4 million. One hundred and fifty-one of these loans, for \$3 million, have been to businesses owned by women and/or people of color. We supported 804 local jobs through business loans and disbursed \$34,000 in “matching grants” to 34 businesses. We provided one-on-one business advising to 437 members, and classes to over 803 people.

Fair and Affordable Credit

Cooperative Federal works to meet all of the personal financial needs of our members, from emergency loans, to auto loans, to credit cards and debt consolidation – we even make bicycle loans. Since 2006, we have made 2,295 personal loans, totaling \$10.5 million. We helped 572 members avoid predatory lenders through Alternatives to Payday and Auto Title Loans.

Support, Advice & More

We provide classes, as well as Budget, Credit and Housing Counseling — including foreclosure intervention — through our HUD-approved Housing Counseling Program.

Since 2006, we have delivered financial education classes to about 3,800 adults and youth, and provided one-on-one housing or financial counseling to 1,968 households.

Plus, we provide matching grants to members who are saving for higher education, or who need to purchase vehicle for school or work. Since this part of the Matched Savings Program was launched in 2010, 10 members have received \$10,000.

Alternatives to Capitalism

Cooperative Federal has provided loans to consumer, housing, and worker co-ops, and nonprofit land-trusts. We are still too small to finance worker cooperatives of the scale of Mondragon, but we still dream big. Over the years, we have been part of continual efforts to spark a cooperative economy. Cooperative Federal is cosponsor of the New York Cooperative Summit seeking to build a cooperative economy.

Socialism?

So, you ask, is this socialism? It is not. It has many of the features of an enterprise in a socialist society – cooperative ownership, democratic governance, one-person-one vote, operated not-for-profit but for service, and is part of an ongoing movement for social justice and economic equity. CDCUs, however, still operate in a capitalist dominated market, within a mesh of laws and regulation largely dictated by the formidable banking lobby and governed by capitalist-backed legislators.

This is an issue for the entire cooperative sector. The injustice of the capitalist sphere creates limitations on what we can achieve in the real world, even in a broad cooperative and social-economy sector. For example, cheap prices created by Capitalism’s exploitation are still cheap prices. And cheap prices are still the heavy artillery of capitalism .

We can, however, create visible examples of what others have called pre-figurative or proto-socialist organizations which embody the change we want to see in the world.

RON helped found Cooperative Federal and is a member of the Central New York Local.



IN MEMORY OF Comrade Kay Meyers

1915-2013

CSP CHICAGO SOCIALIST PARTY
For jobs, peace and freedom