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Credit unions put members first

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With the global finance system teetering, governments struggling to respond and market participants flailing, one thing has become reassuringly clear: the more conventional the financial institution, the healthier.

Credit unions are one division of the financial services industry insulated from recent chaos. As consumer-owned, not-for-profit co-ops, credit unions are motivated by service, not profit. They represent a different way of doing business.

As consumer-owned businesses, credit unions operate solely to provide low-cost, vital financial services to members.

Amid increasing fees and predatory behavior, a finance industry has emerged based on wealth extraction rather than providing services to customers. In hindsight, it was only a matter of time until the increasingly promiscuous lending caught up with itself.

For decades, a hot money financial brushfire has been infusing bubbles from stocks to housing to commodities. One thing has been painfully clear in the finance industry: Something has fundamentally changed in recent years.

Lenders invented an array of obscure products that they interconnected with other aspects of our overall economy. This process is termed "financialization." In other words, in our modern economy profit accumulation generates via finance rather than manufacturing or trade.

The stakes are high and for most of us, extremely high. Pensions have been supplanted by participant-directed investment plans, and we've entrusted our nest eggs and retirements in the market.

A confusing political debate is emerging among the pundits and analysts. Some say it was too little regulation or too much. Some say the government was looking the other way or it was in collusion with the perpetrators. Many believe it was the wrong kind of people seeking credit but disagree over whom: It was either too many investors or too many poor people, or both.

Businesses behave in fundamentally different ways based on who owns them and why. Investor-owned institutions focus on return on investment, at any cost to those around it. Managers in those firms are at risk of focusing on their résumés and seeking short-term gains with disregard to long-term sustainability. Unlike investor-owned institutions, credit unions' main purpose is to provide access to a needed service and to safeguard member assets.

Our government is taking actions unprecedented since the Great Depression, from cash infusions to ownership in many investor-owned banks. We are redefining our entire system of finance and thereby our economy.

The decisions made right now by consumers, businesses and policymakers to pull us out of this disaster will determine what our economy looks like and how it behaves moving forward. We have many threats on the horizon, but also the need and opportunity to remake a vital sector of our economy.

Despite the interrelated nature of the finance sector, credit unions are a safe and stable place to put our money. We ignore at our peril the lesson of the recent relative stability of credit unions.

We can have a financial sector based on boom and bust, where a few make out with enormous profits while the public socializes the losses, such as with the recent bailout. Alternatively, we can have a more reasonable, traditional financial industry built around providing needed services to retail and wholesale consumers.

It is not just the fact that credit unions have better rates and didn't indulge in precarious behavior. In credit unions customers, not investors, are sovereign.

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