

Video Transcripts

Video 1 - Introduction <https://youtu.be/CpYsZG7o0Uo>

Video 2 - The Political Spectrum <https://youtu.be/-FUl41QYkJU>

Video 3 - Governance <https://youtu.be/7Ob-Ut52QOE>

Video 4 - The Misappropriation of Coast Capital Savings <https://youtu.be/6MolurZuKDI>

Video 1 of 4 – Introduction

I'd like to tell you about the impending loss of a democratic institution at the hands of authoritarians, and how it's been done with the suppression of free speech. And it's happening as we speak. The corruption of a democracy doesn't happen in a day, and what I'm about to show you has been building over the past 20 years. But something is happening now that will really tell us whether this institution is lost for good.

What's happening is that the people in charge are making a move to clench their prize, and this move requires government approval. The government is set to make their decision in the next few weeks, and so we'll find out very soon what happens.

The institution that I'm talking about is Coast Capital Savings, a credit union—a co-operative bank. What I find unpalatable about this situation is that it's an example of wannabe Wall-Street-type people screwing over Main-Street-type people. But it's not happening on Wall Street, or on Bay Street, but in our own back yard. Coast Capital Savings is currently owned by people in Vancouver and in surrounding communities, and they don't know that this asset is being taken away from them.

I first became aware of what was happening a few years ago, and I thought that even if I couldn't do anything to stop it, I could at least observe and record what was happening. And I found plenty of records going back 15 years. And it should come as no surprise that one of the first tactics used in the takeover of the organization was the suppression of free speech. What's happening *right now* is that the people in control want to move the entire institution from the provincial jurisdiction to the federal jurisdiction. That's the step that requires government approval. If it goes ahead, the people in control will be working under a new, more favorable set of laws called the federal Bank Act. The owners of the credit union have already lost control, and this transfer of jurisdiction will mean that it's officially no longer a community institution.

So I've created a series of videos to explain how this formerly democratic credit union is now being run by unaccountable authoritarians. I start in the next video with some academic background on the left-right political spectrum as a way of putting authoritarianism into context. In the third video I talk about governance and the relationship between authoritarianism and democracy. And in the final video I speak about how the authoritarians took this democracy for themselves--and how they did it, in part, by restricting free speech.

Video 2 of 4 – The Political Spectrum

When we talk about the political spectrum, we talk about the left and the right, where the left are liberals, roughly speaking, and the right are conservatives, roughly speaking. But that's actually a poor way of thinking about it. It's unorganized. The spectrum actually consists of two independent spectrums that overlap and combine together. Each of these spectrums derives from psychology because a person's political outlook is a function of their psychology. Of course it is—how could it be otherwise.

The first spectrum is about social aspects of personality—how people relate to one another—and the second spectrum is about how people deal with change.

The Political Spectrum – Part 1 – Social Aspects

The psychological essence of right-wing politics is competition—a competitive mindset. This refers to both economic competition and social competition. People who like free-market capitalism, for example, are typically on the right. People on the right expect the outcome of their competition to be some kind of hierarchy—of wealth, status, responsibility, authority, or all of them. People on the right are okay with the fact that society consists of various classes of people—the have-everythings, the have-nothings, and everyone in between. That's just how life is. According to the right-wing mindset, some people are more successful than others.

The psychological essence of left-wing politics is co-operation. Again, this refers to both economic and social cooperation. This is where you find the communists and socialists—people who think in terms of equality of one sort or another. The outcome of cooperation is always equality. It has to be. Nobody would cooperate if they thought they were getting the bad end of the deal. Left-wing politics is all about building a society through cooperation, where people are happy to coexist because no one is getting screwed. The co-operative mindset is understandable because excessive competition just makes life bad. Living under the domination of organized crime is one example. So we all co-operate to set norms for civilized behavior.

The idea of equality is ambiguous because there are two distinct ideas: equality of outcome and equality of opportunity. Equality of outcome is what you're after if you're on the left, because that's what cooperation means. Equality of opportunity is a middle-of-the-road idea; most people like that—obviously on the left, but even on the right, because equality of opportunity means a level playing field for competition.

Co-operation and competition are not opposites, but they are complementary. Think about hockey—a very competitive game. But think about how when the ref calls a penalty, the player goes to the box for two minutes and waits there until he's allowed to go back on the ice. That's pretty co-operative behavior. How it works is that the players co-operate with each other so that they can compete with each other. In hockey, players compete with each to be the best on the team, and the better players get more ice time during games. Once they're on the ice, they co-operate with each other so that they can compete and win against the other team. But the teams themselves are co-operating with each other so that they can play the game, and so that they put on a show for the fans. They're co-operating with the fans, because they have to play at a time and place when the fans are available, but they're also

competing with the fans—over the money in their wallets.

If you have too much competition and not enough cooperation, what you get is hostility and violence. If you're dealing with someone who doesn't know how to cooperate, or if they don't know how to cooperate well enough to agree upon a set of rules, then resorting to force is your only option. Or else you capitulate to their demands, but that's not a good option either.

What about the other end of the spectrum. What about if you have too much cooperation? Is that even possible? Think about what's at the opposite end of the spectrum from hostility and violence. It isn't peace and tranquility, because like I said, cooperation and competition are not strict opposites. The answer is that too much cooperation means ambivalence and decay. The reason for this is that the competitive spirit is what discerns good from bad, and to cooperate means to capitulate to bad ideas in the spirit of civility. How it works is, say that you have an idea, and you think it's better than the other guy's idea. What you do is you argue it out, to some degree. But there's always some degree of uncertainty, and so somebody has to capitulate. That's what we call co-operation. But if you cooperate too much—if you're always appeasing somebody—it means that effectively you just don't care about anything. If everyone's always co-operating, then bad ideas will flourish.

Our competitive spirit is what allows us to discern good from bad, and better from worse. Everyone uses the competitive aspect of their personality when they try to learn something new. Even a decision to get a haircut is a manifestation of our competitive spirit—we want to look better than we did yesterday. That's why too much cooperation means ambivalence and decay. A competitive attitude is the source of everything that we value. If you want your child to grow into a good adult, they must compete at least with themselves if no one else. If you want to live in a society that's better rather than worse, it won't happen without people being judgmental in various ways—and that means competition.

Cooperation and competition are the yin and yang of society. You need them both. Society consists of a countless number of cooperatively competitive games being played, and everyone agrees to compete at these games; that's part of what cooperation means. It starts in childhood, perhaps with little girls competing to have the most proper tea party that they can imagine, or with little boys, cooperating to have a play fight without anyone getting hurt. Adulthood involves competing over money, and there's nothing wrong with taking someone else's money as long as you're playing by the agreed-upon rules. Usually it requires giving up something in return.

Let's look back at the political spectrum. Everyone's personality is some amalgam of co-operative behavior and competitive behavior, some more heavily weighted one way than the other. Everyone resides at some point along the spectrum.

Let's assume that the society is made up of people from everywhere along the spectrum. There's a problem that we face. The problem is that we all live in the same society, and we've got to pick the rules that we want to play by. Whenever people interact with each other, there need to be rules, and those rules will consist of a certain level of co-operation and a certain level of competition. We can choose whatever rules we want, but the problem is that no matter what rules you choose, some people are going to be unhappy, either because the rules are too cooperative or too competitive.

I call this the utopian spectrum. This is the spectrum as it would be imagined by academics and philosophers. Socialist academics and philosophers think that the best society resides somewhere on the left, and capitalist academics and philosophers think that the best society resides somewhere on the right. What they *all* say is that if we can just choose the proper rules, and teach people to understand and appreciate the same set of rules, then everyone will be happy, or at least it will be a compromise that's acceptable to everyone.

There are various labels that we can put at the ends of the spectrum, like communist and capitalist. These two labels are economic labels referring—first and foremost—to the ownership of possessions and territory. Having possessions and territory is a deep part of our psychology. Communists want everything owned collectively, so that everyone has an equal ownership stake. Capitalists want individual ownership because the acquisition of possessions and territory is often the basis of competition. You can't have competition unless there's something to compete for.

Those are economic labels, but we can also use social labels: socialist and libertarian. These labels refer to the vesting of social responsibility. Socialists want society as a whole—meaning the state—to be responsible for ensuring that everyone is taken care of equally. Libertarians want individual responsibility—free of state control—so that they compete to take care of themselves as best as they can.

These are all utopian dreams. It's impossible to mold society to conform to any particular position along this spectrum, especially near the ends. The reason is that people are not that malleable. We are not in sufficient control of our psychology to be able to adopt any arbitrary position along the spectrum. Nobody will be able to persuade everybody that some position is definitively better than all the others. The best chance that we have for peaceful coexistence is to design society to be somewhere in the middle.

In contrast with the utopian academics and philosophers, there are people in society who have actual power to coerce others to follow their rules. These are the authoritarians, referring to anybody in a position of power. Let's draw another axis for authoritarianism. It turns out that if you want to craft a society that follows rules at either end of the spectrum, you need to employ a high degree of authoritarianism, because that's the only way you'll get people to follow the rules. In practice, any society will fall somewhere on this spectrum, and so I call this the *practical spectrum* of political outlooks. There's no alternative to authoritarianism at the extremes because the more extreme your viewpoint, the harder it is to make people follow you. Utopians tend to ignore this fact. People attempting to put extreme utopian outlooks into practice are called the far-left and the far-right.

There are various labels for positions at the far-left and far-right. At the far-left we have the pre-communists, who attempted to reeducate dissenters and killed millions of people during the 20th century. On the far right you might find supremacists of various kinds—people who think that race or ethnicity is a valid basis for social competition. They *also* killed millions of people during the 20th century, in the process of trying to put their utopian vision into practice.

The racial and ethnic supremacists on the far-right are an example of identity politics. Identity politics

appears on the far-left, too, in the form of reverse racism. Rather than just trying to stamp out racist policies, reverse racism is an attempt to correct for the racism of the past with new racist policies. Among people at the far-left, equality is the goal, and anytime that differences in status can be detected among identifiable groups, it's a problem that needs to be corrected, so they say. The far left uses differences in status or outcome to justify their own racist, ethnic, or sexist policies, and even to justify violent coercion.

There might seem to be a paradox on the far left. If the left is characterized by cooperation, why would you ever expect to see hate or anger or violence coming from people on the left? The reason is that the left-wing ethic of cooperation is extended only to people who demonstrate themselves to be cooperative people. In practice there will always be dissenters from the left-wing political view, who can't possibly be treated with equality. And so a different psychological effect comes into play: simple tribalism. There's an in-group and an out-group. The definition of the far-left is that you are willing to be hostile towards people who don't agree with your co-operative mindset.

If we were to choose a simple shape to symbolize right-wing politics, it could be a stratified triangle: a triangle divided into levels, symbolizing a hierarchy of value. The top is pointed because there are always fewer things of high value than of low value. It symbolizes the outcome of competition, where there are always fewer people at the top than at the bottom.

The shape that could symbolize left-wing politics is the tribal circle: a circle with an outer ring. The inner circle is the circle where everyone is equal. Outside of that resides the others, who are treated as the enemy.

The tribalism of the left is the reason that the term "political correctness" is associated with far-left politics. Correctness is a binary concept—something is either correct or incorrect; there's nothing in between. If you have the correct political opinions and behavior, then you're part of the in-group of acceptable people, otherwise you're not.

People on the far-left engage in virtue signaling, which is the attempt to establish themselves as part of the in-group. Since it's unacceptable for left-wingers to compete with each other to establish virtue, the way they exhibit their virtue it is to attack anyone who seems to lack virtue.

Among the far-left, apologies and demands for apologies are rampant. The reason is that apologies are the only way of redeeming yourself if you find yourself outside the circle. If, instead of apologizing, you were to try to explain what you really meant, this would be considered an argument, and that's a form of unacceptable competition. Among people on the far left, you cannot show yourself to be better than someone else by winning an argument.

The center of the political spectrum is the region of liberal politics—referring to the classical or European notion of liberalism. Liberalism is the opposite of totalitarianism. Liberalism is the advocacy of individual liberty, so it's the opposite of identity politics, and the opposite of authoritarianism. Liberal and democracy tend to go together because democracy is the expression of individual interest. To a liberal, the most important laws are the laws that prohibit groups from imposing themselves on other

groups. This ideal is achieved somewhere in the balance between cooperation and competition.

As you can see in the diagram, liberalism requires a minimal but non-zero amount of authoritarianism because some laws are necessary in order to keep people from fighting with one another. Liberalism is all about finding peaceful coexistence among a diversity of people.

The Political Spectrum – Part 2 – Temporal Aspects

A person's political outlook is not *just* a function of their psychological tendencies towards cooperation and competition. People also vary in their openness to new ideas and to change. Some people are receptive to new ideas if those new ideas seem like good ideas, whereas other people are less inclined to listen to arguments; they respond most favorably to what's familiar. They prefer to maintain tradition.

Political outlook as a function of openness to change can be visualized like this. The vertical axis is a temporal axis. The middle represents politics as it is today, and up top represents an imagined politics, as it might exist in the future. People who are closed to new experiences are called conservatives, and they like the politics the way it's done today. People who are open to new experiences are called progressives, and they are willing to experiment with new political visions, presumably in response to shortcomings they see in the current system. Conservatives are not prone to experimentation.

But some people who are open to change might want to change for other reasons: to revert to a political system that is perceived to have been successful in the past—one that has been passed down from a previous era. These people are the fundamentalists. They're open to change, but a change to politics based on historical documents.

If we turn the line on its side, we can see that there's a correspondence with the traditional left-right political spectrum.

The Political Spectrum – Part 3 – Combining Part 1 and Part 2

The political spectrum of cooperation and competition looks like this. We can flatten it out by inserting utopian endpoints separating the left from the far-left, and the right from the far-right. Liberal is in the middle.

This is something of a trick. The political spectrum is not a smooth spectrum of possibilities because there are these utopian points on the left and the right. Mathematicians would call these singularities. You can approach them, but you can never quite reach them—unless you're willing to employ a generally unwelcome level of coercion, in which case you're part of either the far-left or far-right.

It seems to be a historical fact that societies have organized themselves on the basis of competition. This makes sense because it seems unlikely that everyone would wake up one morning and decide, all together, that large-scale co-operation would be a good idea. So it's not surprising that traditional politics is right-wing politics, and therefore conservatism corresponds with right-wing politics and that progressivism corresponds with a move to the left.

Progressivism means progress towards liberalism, and so that means that people who go too far are regressing back to authoritarianism. That's the regressive left.

Democracy is generally associated with liberalism in the center of the spectrum. If democracy is lost then authoritarianism takes over, either on the left or on the right.

Video 3 of 4 – Governance

To talk about governance is to talk about polities, like cities, provinces, nation-states, companies, clubs, libraries, police departments, etc., all of which have hierarchical structures of governance. Canada is a federation, as is the United States, so we have a federal government, and we can imagine the federal civil service as a hierarchy, and you can presumably climb the latter and obtain higher positions of responsibility and authority as your career progresses.

Provincial governments, too, are hierarchies in this way, to a large degree independent of the federal hierarchy.

Every city has its hierarchy of city officials and staff.

Every company has its hierarchy of management and other employees.

Every hierarchy is authoritarian. It's a command-and-control structure. It has to be, by definition. That's what it means to be in a position of responsibility and authority—you have people acting just as you would, if only you could do all the jobs yourself. But you can't, so you tell the people below you what to do. It might be totalitarian, but that's just how it is. In an entrepreneurial company, the founder-president is the one with the vision of what the company needs to be, and he needs people to do what he says.

The business world consists of a multitude of these totalitarian hierarchies, but what keeps them in check is that if the boss gets out of line, it's usually possible for people to leave and go somewhere else.

You might think that society consists of other types of hierarchies, like perhaps a hierarchy of wealth. But this is different. There's no ladder that you can climb here. There's no relationship of authority here. Not directly, anyway. I'm going to call this a quasi-hierarchy, and I'll draw it with dotted lines. Another example of a quasi-hierarchy might be the professions, where some professions are generally more prestigious than others in various ways.

Every polity is an authoritarian hierarchy. But some are democracies, meaning that the person at the very top is elected from among the regular people, like how city mayors are elected from among the residents of a city. We do this in order to keep the authoritarianism from becoming oppressive.

I want to talk about a particular kind of company structure called a cooperative. It's a democratic company. In fact, I'm going to talk about a specific kind of cooperative called a credit union, which is a democratically-owned bank.

In Canada we have five big banks, which are shareholder-owned companies, and they're authoritarian in the usual way that companies are authoritarian. Canada also has over 300 credit unions, which are community based, meaning that they're owned by the people who do their banking there.

Credit unions don't elect their president. Instead, they elect a Board of Directors, and then the Board of Directors oversees the hiring of a president.

Two questions immediately come to mind. The first is, 'Why do credit unions exist? What's wrong with just having banks?' The biggest reason is perhaps historical. Going back 75 years, the banks were often oppressive and unhelpful, and so community members got together and created their own banking solutions.

The second question is, 'Why are they called cooperatives?' You have to look pretty hard to find any cooperation. One reason that they're called cooperatives is that back in the early days, they were often run by volunteers. Communities were close-knit, and volunteer work like that did not go unappreciated.

But times have changes, and now credit unions are fully staffed with financial professionals just like any bank. Credit unions must compete with every other company to find good staff. And they must compete to find good real estate within the city, and they must compete with the big banks to win over customers.

So where's the cooperation? How it works is that the credit unions don't compete with each other. Every community has its own credit union, or perhaps there's a single credit union with multiple branches spanning a group of communities. That's how it's supposed to work in theory, anyway.

An important idea in business is 'economies of scale', and the way that credit unions achieve economies of scale is by working together. That's where the cooperation arises. They can't afford to each develop their own internet banking software, for example; it's way too expensive. So they pool their money and develop a single system that everyone uses. Or at least, that's a rough approximation, because credit unions are all independent businesses, and they're free to do what they want. The co-operation is voluntary.

So even though credit unions are called cooperatives, they're really not cooperative in the left-wing sense. They often donate to the community, but beyond that, they have to be just as competitive and right-wing as any other bank or financial institution because they have to compete in the same market with them. Membership in credit unions is entirely optional, and this makes them compatible with libertarianism because libertarians say that they don't want to be compelled to join any group; group membership must be voluntary.

Credit unions represent a type of business organization that is very liberal and anti-authoritarian. No credit union has a national headquarters, meaning that decision-making power resides in the communities. That's the reason that they were created in the first place—to circumvent the poor service and the oppression of the big national banks. And even today, the decentralization of power is the important difference between credit unions and the big banks.

The problem is that this is changing. Not too long ago, in 2012, the federal government enacted legislation to create something called a federal credit union. This is a type of credit union that has a national headquarters and that can span the entire country—a singular monolithic hierarchy like a tower of Babel. According to everything I just told you, this really doesn't make sense; it goes against the entire ethos of credit unions.

So why would they do it? Well I have a theory, and it has something to do with money and power. And I'll describe this theory to you, using as an example, the first credit union that is in the process of trying to make the transition from being provincial to being federal.

Video 4 of 4 – The Misappropriation of Coast Capital Savings

Coast Capital Savings is a credit union in British Columbia, Canada in the Vancouver/Victoria area. It's one of Canada's top three credit unions, depending how you count. It's an asset worth \$3 or \$4 billion dollars, currently owned by the community members who bank there. But that's going to change if the people in control get their way.

The democracy has been corrupted and destroyed over the past 15 years or more, and I'd like to show you how that's been accomplished, starting with the suppression of free speech.

There's really only one democratic activity that happens every year at Coast Capital, and that's the election of the Board of Directors. Here are the rules, which dictate how candidates must behave during the election.

Rule 4. Candidates may campaign in the Election only by speaking directly with individual Members in person or by telephone. Candidates may not use social media to announce or promote their candidacy.

This means nothing in writing. No email. No hand-outs.

Rule 5. Candidates must not solicit or participate in interviews with the media.

And no websites either.

And you can't get help from anyone.

Rule 6. Candidates must not seek or accept the assistance of, or permit, any other person to campaign on the candidate's behalf. The phrase "or permit" is rather ominous. It might seem unenforceable, but remember that it's the Board of Directors enforcing the rules, at their own discretion.

Rule 8. Mandatory Compliance Declaration: At any time upon the request of the Nominations Committee, a candidate shall promptly and truthfully declare in writing, in a form approved by the Nominations Committee, that the candidate has fully complied with the Rules or any requirement of them.

This is particularly nefarious. It goes beyond mere compelled speech. They're asking you to submit to a mandatory cross examination at any time of their choosing. The best thing from their point of view

would be for you to refuse to respond to such questioning, at which point they could promptly disqualify you.

I want to show you a typical candidate summary. This is what members are given prior to the election, and it's the only information that a member has on which to base their vote. Most of it is biographical information, and descriptions of qualifications and experience. If we look to the bottom-right, we see the Candidate Statement. This is the one chance that a person has to express an opinion about what's happened in the past, and what they would like to do in the future if they were elected to the Board of Directors. It's limited to 100 words. That's it.

In the years I've been watching I've never seen anyone say anything critical of Coast Capital Savings, and perhaps that's not surprising because the Board gets to approve what you say.

Looking back at Rule 3, it says:

The Nominations Committee, who represent the members, will review each Candidate Nomination Form and determine in its discretion whether it is acceptable. The Nominations Committee may reject materials that the Committee in its discretion considers to be inappropriate or offensive (including lacking in good taste, defamatory or injurious to the reputation of Coast Capital Savings), contains inaccurate information or otherwise fails to comply with the Rules or these Regulations. The Nominations Committee may in its discretion require candidates to revise and resubmit the Candidate Nomination Form for further review and acceptance.

So good luck expressing a dissenting opinion. We have no way of knowing what candidates have tried to say over the years, but were declined.

You might wonder how the Board of Directors defends these anti-democratic rules that they've put in place. As it happens, a few years ago a member wrote a *Letter to the Editor* about them, and a couple weeks later the newspaper published the Board Chair's reply. It reads:

Our campaign rules in the board election process ensure that all candidates have equal opportunity to show their qualifications to members in a fair and transparent manner. We believe this is a democratic process. Members have the right to make a balanced and informed decision based on the information provided by all candidates in a consistent manner. We think this is the most equitable and democratic approach, and we stand firmly behind our campaigning rules.

We believe we are honouring the Credit Union's early pioneers and those that followed with our democratic cooperative principles.

Signed, Bill Wellburn, Chair, Board of Directors.

Let me tell you something about Bill Wellburn. It looks like this:

Over the period 2006 to 2009, his annual remuneration increased 437%. Of course, he couldn't do it himself; the entire Board was working together, and the Board's compensation increase was 283% over

the same period. When this information was exposed in 2013, compensation was reduced somewhat.

When it comes time to elect new people to the Board of Directors, here is what a typical ballot looks like. The Board recommends the candidates it wants, and marks those recommendations on the ballot. Using the provided information, it's very difficult for an average member to make a meaningful decision about who to vote for. The 100-word candidate statements have no actionable information. And every election has this: a chance to win a cash prize. And most members are happy with the service they receive as customers of Coast Capital, so the existing management must be doing a pretty good job, right? So just submit your ballot with the recommended choices and you'll have a chance to win some money.

The results of 2014 director election were typical. What you see is that three candidates who were recommended by the Board were the winners. And by a decisive margin, where the best runner-up received only 55% the number of votes of the average winner. This is what happens every year. If you don't get recommended by the Board, you lose. It's as simple as that.

2012 is an interesting year to look at. Again we see that the one loser was the guy who didn't get recommended by the Board. But the funny thing is that Paul Duncan was a former President and CEO of multiple credit unions, including Coast Capital itself. His credentials on paper were unmatched. But he didn't get the recommendation of the Board, and therefore he lost by the same margin as all the other losers. What this shows is that the system of Board recommendations that they've created makes the voting process entirely meaningless. The Board chooses the winners of the election, and that's that.

In the case of Paul Duncan, he was part of the organization prior to the most recent merger. I surmise that he was on the losing side of the power struggle and they didn't want him around anymore.

Coast Capital Savings was originally created as a democracy, where the Directors were chosen from among the membership, to be representatives of the members. But that's not how it works anymore. Instead, the Board chooses new members from a community of their own people—a community of management professionals. These are people who make a living out of serving on Boards and similar kinds of management jobs. I'm not doubting that they have skills and experience on their resumes that makes them seem like good candidates for the job. But what gets neglected in favor of skills and experience are priorities and allegiances. These people are putting their careers first, and so they have greater allegiance to their fellow management professionals than they do to the members of the credit union who they ostensibly represent.

This change in the orientation of the Board is not something done covertly. It's been written down. In the 2007 Annual Report, they say this:

“In today's complex business world, electing a Board of Directors to oversee the business and affairs of an \$8.9 billion financial institution is comparable to hiring a member of the senior executive team, such as the chief executive officer or chief financial officer.”

This philosophy was written into the Rules. Rule 16.12 says that in order to be a director, a person must

have experience as a Board member or senior executive or management.

There it is, in black and white. This is what it looks like when corporate authoritarians take democratic control away from the owners of an organization. They're saying that the institution is too big and too serious to be overseen by representatives of the owners. Instead, the management must bring in their own professional overseers. It's as if when the henhouse gets big enough, the foxes are the only ones tough enough and qualified to guard it.

Now it's not entirely obvious how to deal with this situation correctly; I'm not saying that there's a simple solution. A certain aptitude *is* necessary to be a director. But we've seen what happens when you put the foxes in control. They increase their compensation by 437% without telling the owners.

And whose idea was it to make the henhouse bigger and bigger? Management and the Board have been pushing a strategy of expansion for 20 years. And this brings us to the situation as we find it in June 2017, as I make this video. The management professionals are trying to clench the prize they've been working towards for decades. They're trying take the entire organization and move it from the provincial jurisdiction where it was created, to the federal jurisdiction. If they can, they'll be able to shed the rules of the provincial credit union act, and they'll be governed by the federal bank act instead, and that suits them just fine. Most importantly, they can finally justify paying themselves what the executives at the big banks earn.

I'm reminded of an episode of the Simpsons. Season 7, episode 12.

Misappropriation. To put something in the wrong place. Or better: To put someone else's thing in the wrong place, for one's own benefit.

You have to understand: Homer is the bad guy in this scenario. He doesn't steal anything; he just moves the money into a place where he and his buddies get the benefits of it. He manages to take advantage of the incapacitation of the business owner. The owners of Coast Capital Savings are just like this: incapacitated by years of marginalization by the management professionals on the Board. And they're incapacitated by the lack of free speech. They're not doped up on ether, but I would say that most of the owners are sleepwalking, unaware of how they're being taken advantage of by management.

It starts right here. Homer peeks in, waiting until Mr. Burns is alone. That's the key. When Burns is alone, he's vulnerable because he has no one to talk to. This is what the management of Coast Capital has done. They've isolated all the members, making it impossible for them to take advantage of their collective wisdom. Even though we have Annual General Meetings, they're very poorly attended. Coast Capital has become just like a typical company. Regular companies don't want their unhappy customers organizing themselves and ganging up, and the Board of Coast Capital is the same. But co-operatives are supposed to be different, because the customers are the owners of the business.

I'm like Mr. Smithers in this example, the one crying misappropriation. But whereas Mr. Burns is the single owner who needs help, I've got no effective way of communicating with the 500,000 other

owners of Coast Capital who don't know what's going on.

So the management of Coast Capital wants to change to become a federal credit union so that they can become peers to the big banks. By law, they need the permission of the owners to move from the provincial jurisdiction to the federal jurisdiction, and so they set out to manufacture the consent that they needed.

They put the matter to a vote. I've obtained some videotape of the CEO of Coast Capital Savings going to a polling station and giving gifts to prospective voters.

Gift cards; flowers; chocolates; a tablet. Sealing the deal.

He put this video on his twitter feed in order to encourage people to vote, but evidently he didn't consider whether it was appropriate to be giving gifts to voters.

Here's the ballot. This time, they've increased the incentive for voting by offering a pair of \$5000 cash prizes. They really want the members to vote, because the easiest thing for a member to do is to follow the Board's voting recommendation, which is shown right here. At no time during the voting period was there a way for anyone to express a dissenting opinion and to have it heard by other voters.

In case you're still unsure why you should take the Board's recommendation, they've conveniently included some arguments right here on the ballot.

"Right now, we have an exciting opportunity: the chance to grow our business and serve you better by becoming a federal credit union. Becoming a federal credit union will help us strengthen our business, bring you new products and deliver new online banking and mobile technology faster than ever before. Your Board of Directors recommends voting YES."

There's certainly no way to confuse this vote with one that's conducted in a non-partisan manner. You'll notice that the reasons that they have nothing to do with the governance of the organization. They're treating the owners strictly as customers.

It should come as no surprise that the vote passed, with 79% in favor.

What will happen next? If the expansion of Coast Capital Savings is successful over the coming decades, the ownership of the institution will spread out across Canada. This institution, currently a \$3 or \$4 billion dollar asset, will no longer be in the control of the communities in the Vancouver area that created it. It will no longer be in the control of the people who were sleepwalking when they voted to allow this to happen. That's the effect of this misappropriation.

The community of management professionals will have won, because they will then have a national organization to rule over, and they can justify higher pay and bonuses. And the power of the owners to oversee the management will have been diluted into insignificance.

I'll give you one example of how the federal laws are less favorable to members than the provincial laws. One category of rules is about "termination of membership," but another way to think about is

“expulsion of political enemies,” because that’s one way in which these rules might be used.

The provincial rules say that if the Board wants to expel somebody, the person continues to be a member of the credit union until they can make an appeal to the membership at a general meeting, and the membership votes to expel them. [CUIA 48(7)] So the Board of Directors has to justify their actions to the membership, and the person has a chance to respond.

Under the federal *Bank Act*, a person expelled by the Board ceases to be a member immediately. They can ask that their expulsion be put to a vote by the membership, but they are not given an opportunity to speak for themselves. The Board gets to explain why the member should be expelled, and the member has no ability to say anything in their own defense. Again, free speech is being curtailed to the benefit of the authoritarians. [Bank Act section 47.06 and Proposed Rules of Coast Capital Savings Federal Credit Union, section 2.4]

In theory, the Board should explain to the membership any rule changes that it proposes, prior to voting on them. In this case, the Board slipped the rule change past the membership with the following comment:

“The rights of members upon termination or withdrawal of membership are further defined.” [2017 Special Resolution booklet, page 5.]

Since there is no effective way for members to speak out, it’s not possible to bring this type of issue to the attention of the membership.

Something to notice about this entire situation is that it’s an example of how the internet has worked to the detriment of democracy. It used to be that people had to physically get together to conduct an annual meeting. Now with internet voting, very few people attend annual meetings. Now the meetings are dominated by employees because the employees are hustled to the meetings in order to meet the quorum of 50 people. If you speak at a meeting, you’re not speaking to sample of members who have distinctly different interests than the average member.

The final point that I’d like to tell you about in this video is another difference between the provincial jurisdiction and the federal jurisdiction. Under the federal *Bank Act*, the CEO is required to be appointed from among the members of the Board. This is a big change. Traditionally the purpose of the Board of any co-operative is to serve as the representatives of the membership. Under the Bank Act, getting a seat on the Board becomes part of the career path of anyone wanting to become the top manager. When the membership votes on new directors, they’re potentially voting for a new CEO, which changes the dynamics of the vote immensely. Nothing more than a paragraph has been offered to explain to members how this might work.

The provincial government will be in a position to approve the misappropriation of Coast Capital Savings towards the end of June, 2017. If they do, then the federal government will also need to give their approval, sometime over the following year.