

Imitating the Continent: Raiffeisenism in Ireland, 1894-1922*

Eoin McLaughlin[†]

Abstract

In the late 1800s attempts were made to imitate European methods of agricultural cooperation in Ireland. The most successful proponent of this imitation, cooperative dairy societies, were modelled on a Danish system. This paper focuses on German Raiffeisen Societies, a model that was less successfully imitated. The argument presented is that the Raiffeisen societies did not take root, but not because they were not needed. Rather it was because the cooperative propagators were ideologically intractable, the imitations of the original German institutions were structurally incomplete, and the state was already performing the financial tasks associated with German Raiffeisen societies.

Introduction

The co-operative movement, which involved the formal combination of individual economic agents in the pursuance of mutual economic goals, emerged as a form of economic activity in the nineteenth century. Numerous demand side and supply side institutions were formed that adhered to principles of co-operation. Co-operative agricultural societies, primarily in Continental Europe, were among the most successful adherents to this organisational structure. Success and benefits attributed to the co-operative models of agricultural production encouraged the imitation of these models in different regions and in different sectors of the economy.¹

Ireland was an example of such imitation. Towards the latter stages of the nineteenth century and the early twentieth century various agricultural co-operatives were formed throughout Ireland.² The first efforts of co-operation attempted to

* This draft paper forms part of a PhD thesis which analyses the economic history of microfinance institutions in nineteenth century Ireland. This paper benefited greatly from comments received at the Economic History Society PhD training course, and comments from Proinnsias Breathnach, Chris Colvin, Vincent Comerford, Cormac Ó'Gráda, and Rowena Pecchenino on earlier drafts. I would like to thank Yvonne Murphy for her assistance in accessing the ICOS archive. All errors are the author's own.

[†] PhD Student and IRCHSS scholar, NUI Maynooth, Maynooth Co. Kildare, email: eoin.mclaughlin@nuim.ie

¹ C. R. Fay, *Co-operation at home and abroad* (3rd edition, London, 1925); Margaret Digby, *The world co-operative movement* (2nd edition, London 1960); Johnston Birchall, *The international co-operative movement* (Manchester, 1997).

² Patrick Bolger, *The Irish co-operative movement: its history and development*, (Dublin, 1977).

imitate the Danish model of co-operative creameries.³ Also, village banks applying the template of cooperative banking established by Friedrich Raiffeisen in the German town of Neuwied were founded. In 1943 the Rev Cornelius Lucey (1902-1982), a notable clerical figure who became Bishop of Cork was a lecturer in University College Dublin, wrote that:

So far no serious effort has been made to introduce Schulze-Delitzsch or Raiffeisen co-operatives either here or in Great Britain...There is every reason why we in Ireland should think seriously of inaugurating a co-operative credit movement on Raiffeisen or similar lines.⁴

In fact when the number of registered Raiffeisen societies peaked in 1908, there were 268 Raiffeisen societies affiliated with a central co-operative body called the Irish Agricultural Organisation Society (IAOS) and registered as Friendly Societies.⁵ The fact that by 1943 there was little or no trace of these societies, as shown by the above citation, is an indication of the brevity of their existence. The main argument of Lucey's article was for the adoption of Credit Unions, a variant of Raiffeisen co-operatives,⁶ in Ireland. When Credit Unions were adopted in the 1960s they had greater success than the Raiffeisen societies of the early 1900s, and the Republic of Ireland has one of the highest credit union penetration rates in the world.⁷

The focus of this paper is on the introduction and adoption of Raiffeisenism in Ireland from 1894 to 1922 written from the perspective of supply-side innovation diffusion.⁸ This paper will focus on the role of the central agency that propagated the idea of co-operation in Ireland and argue that the initial propagation strategy used by this central agency to encourage co-operative creameries undermined subsequent propagation efforts to establish distinctive co-operatives along Raiffeisen lines. The paper will analyse why Raiffeisenism was believed to have been needed in Ireland

³ For example see: Kevin H. O'Rourke, 'Property rights, politics and innovation: creamery diffusion in pre-1914 Ireland' in *European Review of Economic history*, xi (2007), pp 395-417, and Proinnsias Breathnach, *The diffusion of the co-operative creamery system in Ireland, 1889-1920: a spatial analysis*, NUI Maynooth Department of Geography, PhD thesis, August 2006.

⁴ Lucey, C, 'Co-operative credit societies' in *The Irish Ecclesiastical Record*, lxii (July to December 1943), pp 78-79 and 79-80.

⁵ *Report of the Irish Agricultural Organisation Society for the year ending 1909*, (Hereafter IAOS Annual report 19XX).

⁶ The co-operative literature maintains that there is a link between Credit Unionism and Raiffeisenism: For example see Georges Lasserre (translated by Anne Lamming), *Co-operative enterprises* (Manchester, 1959), p. 71.

⁷ Patrick Honohan, 'To what extent has finance been a driver of Ireland's economic success?' in *Quarterly Economic Commentary* (Winter, 2006), p. 63.

⁸ Lawrence A. Brown, *Innovation diffusion: a new perspective* (London, 1981).

and the propagation strategy used by the IAOS. The paper will look at the information available to the IAOS and how it diffused the information to potential adopters. The paper will argue that the propagation strategy used by the IAOS to encourage the formation of Raiffeisen societies was both flawed and contradictory.

The paper will outline and analyse the legal context that was faced by the propagating agency when introducing Raiffeisenism. The paper will argue that formal legal constraints were more of an impediment to the development of Raiffeisenism than the informal constraints, as has been argued by Tim Guinnane.⁹ It will be argued that these formal constraints led to the formation of institutions that were not conducive to long term sustainability. It will be argued that if the propagators were ideologically flexible they could have made an alternative choice based on a theory of second best and that a form of Raiffeisenism could have been successfully introduced.

The paper will conclude by comparing the strain of Raiffeisenism introduced in the period 1894-1920 with a subsequent strain introduced in the 1920s, and the credit union movement of the 1960s. The arguments developed within this paper will be used to explain why credit unionism experienced a more successful adoption in the Republic of Ireland.

1. Raiffeisenism in Ireland: The Financial context

M. L. Darling, a joint-registrar of co-operative societies in Punjab, gave the following outline of the Raiffeisen system in 1922:

Everyone who knows anything at all of agricultural co-operation is familiar with the main features of the system, namely, unlimited liability, an area restricted to a village or two, small shares, limited dividends or no dividends at all, indivisible reserve, loans to members only, low rates of interest and honorary management controlled by the general assembly of members, each of whom has one vote and no more. In detail one country or province may vary from another, but the ground principles are everywhere the same, and wherever they are found and however they appear to be derived, their ultimate origin is Germany and their sponsor Raiffeisen.¹⁰

The operations of Raiffeisen banking structures can be explained by application of agency theory. The structure of the Raiffeisen bank, membership and limited area, can provide additional information which can overcome principal agent problems, such as

⁹ Timothy W. Guinnane, 'A failed institutional transplant: Raiffeisen's credit cooperatives in Ireland, 1894-1914' in *Explorations in Economic History*, xxxi (1994), p. 39.

¹⁰ M. L. Darling, *Some aspects of co-operation in Germany, Italy and Ireland* (Lahore, 1922), p. 18.

monitoring, screening, ex ante moral hazard, ex post moral hazard and adverse selection.

Raiffeisen banks did not exist in a financial vacuum when introduced in Ireland. This section will give a brief outline of the nature and level of competition that Raiffeisen banks faced on the eve of their introduction and throughout their existence. Firstly there were a number of joint stock banking companies operating in Ireland, shown in table 1. The oldest joint stock banking company was the Bank of Ireland, chartered in 1783. Following financial liberalisation in the 1820s a number of other joint stock banks were formed. Financial regulation in the 1840s which restricted the note issuing capacity of the joint stock banks encouraged the spread of branch banking in Ireland.¹¹ The Munster and Leinster bank, the youngest bank in table 1, was formed from the remains of the Munster bank.¹²

Table1: Joint Stock Banks operating in 1900

Bank	Year of establishment
Bank of Ireland	1783
Belfast Banking company	1827
Hibernian Joint Stock Bank	1824
Munster and Leinster	1885
National Bank	1835
Northern Banking Company	1824
Provincial Bank	1825
Royal Bank	1836
Ulster Bank	1836

Source: *Thom's Directory* 1900.

By 1894, the year when the first Raiffeisen bank was established, the joint stock banks had consolidated their position and, all banking companies combined, held the largest market share of long term savings deposits in Ireland. The expansion of branch banking also led to the creation of information on borrowers and enabled the banks to overcome moral hazard and adverse selection problems associated with lending. The joint stock banks utilised a system of collateral substitutes whereby potential borrowers provided two guarantors for a loan, and loan terms were for 3 month

¹¹ G. L. Barrow, *The emergence of the Irish banking system 1820-1845* (Dublin, 1973), pp 187-188.

¹² Cormac Ó' Gráda, 'Moral hazard and quasi-central banking: Should the Munster Bank have been saved?' in David Dickson and Cormac Ó Gráda (eds.), *Refiguring Ireland, essays in honour of L. M. Cullen* (Dublin, 2003), pp 316 -341.

periods. The banks were said to have made loans for sums as low as £5 and received deposits from as low as £5.¹³

It must be stressed that those advocating the propagation of Raiffeisenism in Ireland initially did not give much weight to savings mobilisation, as their aim was to establish a credit movement.¹⁴ But savings banks were sizeable financial institutions in Ireland and came in two forms, Trustee Savings Banks (TSBs) and Post Office Savings Banks (POSB). TSBs were introduced in the 1810s and were an imitation of Scottish savings banks.¹⁵ The key features of the British savings bank system that remained constant over the nineteenth century were fixed interest payments on deposits, deposit ceilings, and savings were invested in government bonds. In 1844 Tidd Pratt, the Registrar of Friendly Societies, reported that there were 73 savings banks in Ireland.¹⁶ Following an endogenous shock in the late 1840s¹⁷ and competition from government backed savings institutions the number of TSBs subsequently declined and in 1894 there were 15 active TSBs. There was an unequal distribution of savings among these TSBs, with 6 of them holding 69 per cent of the all TSB savings.¹⁸

The TSBs in 1894 were however dwarfed by the POSB which was introduced in Ireland in 1862. The POSB was the single largest branch banking institution operating in Ireland in 1894, and the number of branches continued to grow. The POSB had experienced constantly positive growth in savings, especially during the recessionary period of 1877-82. It was during the period 1877-82 that the amount of savings deposits held by the POSB first caught up with those held by the TSBs. The POSB went on to become the largest savings bank in Ireland.

The significance of the savings banks (both TSB and POSB) grew in the 1890s as the annual deposit ceiling was raised from £30 to £50 and the total ceiling was

¹³ *Report from the Select Committee on Industries (Ireland); together with the proceedings of the committee, minutes of evidence, and appendix*, question 10267, p. 554, H.C. 1884-85 (288), ix, 1; and *Bulletin of the Society of St. Vincent De Paul*, xii (Dublin, 1867), p. 369.

¹⁴ There is no reference to savings, deposits, or thrift in the evidence of the members of the IAOS to the parliamentary enquiry into money lending in 1898: *Report from the Select Committee on money lending; together with the proceedings of the committee, minutes of evidence, appendix and index*, pp 99-120, H.C. 1898 (260), x, 101.

¹⁵ Cormac Ó'Gráda, 'Savings banks as an institutional import: the case of nineteenth-century Ireland' in *Financial History Review*, x (2003), pp 31-55.

¹⁶ John Tidd Pratt, *A summary of the savings banks in England, Scotland, Wales, and Ireland* (London, 1846), p. 319.

¹⁷ Cormac Ó'Gráda, 'The early history of Irish savings banks' in *UCD centre for economic research working paper series*, WP08/04 (February 2008).

¹⁸ These were the Belfast Savings Bank, Armagh Savings Bank, Cork Savings Bank, Dublin Savings Bank and the Coleraine Savings Bank.

increased from £150 to £200. The significance of these limits is that they were greater than the average annual wages as reported by government bodies, and as such available to people from high up the socio-economic scale. However, the savings bank system was flawed as the fixed rate of 2.5 per cent paid on deposits exceeded the yield on Consols, which were the main assets of both institutions, in the late 1890s. This meant that these institutions, TSBs and POSB, were loss making and that the state was forced to pick up the loss.

The British savings bank system also differed from other countries in that the institutions did not engage in commercial lending. This point was made by the contemporary economist Henry Wolff. Table 2 is extrapolated from a paper he presented to the *Royal Statistical Society* in 1894.

Table 2: Mode of investment of savings banks in selected countries in 1894

Country	Mode of investment of savings banks
UK	Government securities only
France	Mainly government securities. A portion in local municipal stock, mortgage bonds, working men's dwellings, and loans to various bodies judged 'of public utility'
Belgium	Government securities, municipal, railway and corporation bonds, bills of exchange, and other personal security
Netherlands	Public and private securities, bills of exchange, mortgages, &c., at discretion
Prussia	Every variety of security, public, real or personal
Bavaria	Every variety of security, public, real or personal
Denmark	Every variety of security, public, real or personal
Austria	Public and private securities, mortgages, loans, bills of exchange, &c.
Italy	At bank's discretion
USA	Public securities, mortgages, municipal and county securities, or bank deposits.

Source: Appendix in Henry W. Wolff, 'Savings banks at home and abroad' in *Journal of the Royal Statistical Society*, lx, no. 2 (June, 1897), pp 278-359.

From the countries shown in table 2 it seems as though the UK savings bank system was the only one that was legally constrained from making commercial loans. Tim Guinnane and Ingrid Henriksen have argued that the reason why Raiffeisen banks were unimportant in Denmark was because of a pre-existing network of savings banks that performed the financial services associated with Raiffeisen banks.¹⁹ This argument is applicable to Ireland as there was an established network of savings

¹⁹ Timothy W. Guinnane, and Ingrid Henriksen, 'Why were credit cooperatives unimportant in Denmark' in *Scandinavian economic history review*, xlvi, no. 2 (1998).

banks, but the key distinction being that they did not make loans. Perhaps this is why the propagators of Raiffeisenism did not include thrift in their message.

Finally, there was also a tradition of financial mutuals in Ireland. These came in two varieties. The first variety, and the ones that have received scholarly attention, were loan fund societies registered with a central Loan Fund Board (LFB).²⁰ Membership of LFB loan fund societies was confined to persons investing funds for the purpose of lending to the ‘industrious poor’.²¹ But the society could borrow from non-members, and could lend to non-members. The LFB loan funds were providers of small loans with a legally imposed loan ceiling of £10 and loan term of 5 months. These loans were guaranteed by two sureties, similar to the methodology used by the joint stock banks. The other loan funds that existed were friendly society loan funds. These were first established in the 1830s. Friendly society loan funds came in two forms; they were either friendly societies that gave loans to members or singular loan fund societies.²² Membership was a legal criterion for both borrowing and lending in loan funds registered under Friendly Society legislation. Friendly society loan funds also had a legally imposed loan ceiling of £50, but loan terms and interest rates, on both loans and deposits, were flexible.

The loan funds most prevalent in rural Ireland were the LFB loan funds, so as such there was no tradition of mutual societies along Raiffeisen lines. It was argued that the use of sureties was a form of mutualisation.²³ Evidence of cross-securitisation, whereby borrowers would simultaneously act as a surety for one another’s sureties, supports this view.²⁴ However, this form of mutuality is not the same as members of a society being mutually involved in the lending process as in a Raiffeisen society.

The friendly society loan funds were located in urban centres. When Raiffeisen societies were established in rural Ireland, discussed below, they were essentially friendly society loan funds but with powers to borrow from non-members. A key

²⁰ These have been discussed by Aidan Hollis and Arthur Sweetman in a number of articles: See Aidan Hollis and Arthur Sweetman, ‘The life-cycle of a microfinance institution: the Irish loan funds’ in *Journal of Economic Behaviour and Organization*, xlvii (2001), pp291-311.

²¹ Charitable Loan Societies (Ireland) Act, 1843, 1843 (6 & 7 Vict.) c. 91, section ix.

²² Friendly Societies are more commonly associated with mutual insurance and assurance.

²³ *Report from the Select Committee on money lending; together with the proceedings of the committee, minutes of evidence, appendix and index*, paragraphs 2047-2048, p. 106. H.C. 1898 (260), x, 101.

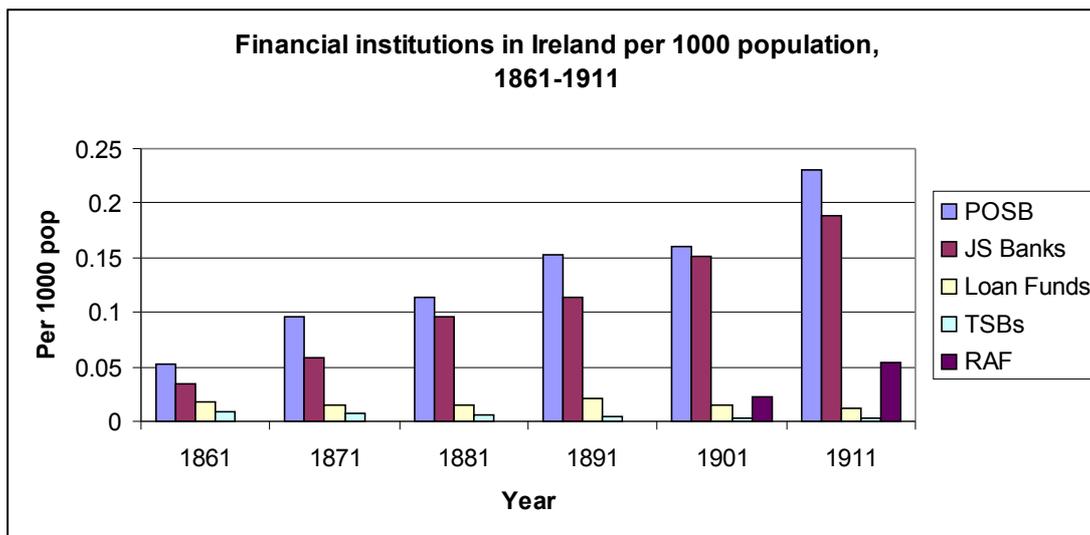
²⁴ *Report of the committee appointed to inquire into the proceedings of charitable loan societies in Ireland, established under the Act 6 & 7, vic. Cap 91.*, paragraph 12, p. 7. [C.8381], H.C. 1897, xxiii, 383.

consideration in the Raiffeisen story is the bubble experienced by LFB loan funds from 1880 to 1895 and its subsequent collapse in 1896 following a number of legal verdicts which made it difficult to enforce loan repayments if loans were not issued in conformity with the loan fund acts.²⁵ This created a catch-22; LFB loan funds could not recover debts issued in contravention to the LFB acts but could sue under alternative acts, but in order to sue for debts under alternative legislation a stamp was required but this was exempted under the LFB acts. It was not until 1906 that adequate legislation was introduced that resolved this impasse. When the Raiffeisen societies were established the institutions that came closest to resembling them were the LFB loan funds, and these were experiencing a major crisis. George Russell (Æ), an organiser of Raiffeisen societies for the IAOS, stated in 1912 that the LFB loan fund societies, along with moneylenders and traders were the interest groups most opposed to the establishment of Raiffeisen societies in Ireland.²⁶ George Russell's account is somewhat dubious as in 1894 there were very few loan funds in the west of Ireland, and it was mainly in the west of Ireland where Raiffeisen banks were being established.

Figure 1

²⁵ *The treasurer of the Enniskillen loan fund society v Green*, [1898] 2 Ir. R. 103 (QB) and *Skey v. Shield* [1899] 2 IR 119 (QB).

²⁶ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1995, p. 66. [Cd. 7376], H.C. 1914 xiii, 431.



Note: The POSB was established in 1862, the number of branches in 1862 was used in the calculation for 1861. The values for Raiffeisen societies are those stated by the IAOS.
 Sources: *Thom's directory 1861-1911*. POSB statistics for 1862 are taken from *Eight Report of the Postmaster General on the Post Office* [2984] H.C. 1862, xxvii.393.
 Raiffeisen statistics are taken from IAOS annual report 1902 and 1912.

Figure 1 shows the number of financial institutions per 1000 population. As can be seen the largest institution was the POSB followed by the Joint Stock Banks. The high values for the POSB and JS banks can be seen as a reflection of the large number of branches operated by each institution. It should be noted that the JS banks were spatially correlated with many towns having more than one JS bank branch, but each POSB branch was found in a unique location. Looking at figure 1, one can see that before Raiffeisen banks were established there were two strong financial institutions active in Ireland. The Joint Stock banks were active financial intermediaries, whereas the POSB solely offered savings products. Given that this information was available to contemporaries, one would expect that an agency attempting to introduce a new financial institution would have studied the market to pinpoint where the new institution could compete. From the information outlined in this section it would appear as though the POSB could be targeted as it did not offer lending services, and also the loan funds as they were in disarray. So this leads us onto the next section, why were the Raiffeisen societies introduced?

2. 1 The IAOS and the propagation of co-operation in Ireland.

In the late nineteenth century attempts were made by a small group of co-operation idealists to introduce co-operative agricultural methods in Ireland. The first attempts at co-operation were aimed at establishing co-operative creameries along lines similar

to what was practiced in contemporary Denmark. This was a conscious effort to imitate the Danish co-operative system. This is a key element to the Raiffeisen story in Ireland because in Denmark there was not a strong tradition of co-operative banking.²⁷

Tim Guinnane has looked at both Ireland and Denmark in terms of their non-adoption of co-operative banks. But he did not specifically draw the links between Ireland and Denmark. Ireland specifically imitated Danish co-operation and this imitation did not come with a tradition of co-operative banking. This is a key sequential factor in co-operative development as it essentially placed the co-operative creamery rather than the co-operative bank at the heart of the Irish co-operative movement. In Germany the Raiffeisen co-operatives were associated with a number of agricultural societies. The Raiffeisen philosophy was to establish a bank first and then other constituent societies such as agricultural production societies, or creameries.

The problem with introducing Raiffeisen societies in Ireland was firstly, they were not the fulcrum of the co-operative movement, and secondly, they found it difficult to access savings. Coincidentally the co-operative creameries initially had difficulties with the joint stock banks as they were reluctant to make loans secured by unorthodox joint liability of members, something which a co-operative banking society would not have had a problem recognising. This was also noted by H de F Montgomery who went on a 'research trip' on behalf of the Department of Agriculture and Technical Instruction (DATI) to Germany in 1903. In an article on co-operation in Germany he stated that:

In many respects the *Raiffeisen Organisation* offers probably, the best model for the organisation of agricultural co-operative societies; but the difficulty of adopting it as a pattern for Irish agricultural co-operative organisation arises from the circumstance that it is specially framed for the benefit of savings and loan societies doing supply business and that productive societies (dairy societies &c.) were an afterthought in this organisation. They did not fit into it, and had to be provided for by subsidiary arrangements. In Ireland the dairy societies came first, the supply associations next, and the credit societies last.²⁸

Another key difficulty with the Raiffeisen societies was that they had a weak deposit base whereas in Germany these institutions had a wide deposit mobilisation, even

²⁷ Timothy W. Guinnane, and Ingrid Henriksen, 'Why were credit cooperatives kin Denmark' in *Scandinavian economic history review*, xlvi, no. 2 (1998).

²⁸ H de F Montgomery, 'Agricultural co-operation in Germany' in *Department of Agriculture and Technical Instruction for Ireland journal*, iv, no. 2 (December 1903), pp 214-251.

encouraging children to save.²⁹ This type of deposit mobilisation occurred in Ireland, but it was the POSB that actively encouraged children to save, supporting school savings banks.³⁰

One reason for this was that Horace Plunkett, a pivotal figure in the initial co-operative movement, had given preference to the creameries, à la Denmark. Plunkett outlined the motivation for the prioritisation of creameries:

Though the economic conditions of the Irish farmer clearly indicated a need for the application of co-operative effort to all branches of his industry, it was necessary at the beginning to embrace a more limited aim. It happened at the time we commenced our Irish work that one branch of farming, the dairy industry, presented features admirably adapted to our methods....New machinery, costly but highly efficient, had enabled the factory product, notable that of Denmark and Sweden, to compete successfully with the home-made article, both in quality and cost of production.³¹

The initial efforts to establish dairy co-operatives involved Horace Plunkett and R.A. Anderson, another key figure in the Irish co-operative movement and Secretary of the IAOS, attempting to encourage dairy farmers to establish co-operative creameries. Their initial focus was primarily on an area in south-west of Ireland known as the Golden Vale where there was an established tradition of dairy farming. Horace Plunkett claimed to have held over 50 meetings before the first co-operative creamery was established in 1889.³² Following the first example many other creameries were established. Initially Plunkett had solicited help from the Co-operative Union, the federated body that represented British consumer co-operatives, for his ‘missionary work’.³³ Having realised that consumer co-operation, co-operatives looking to minimise the price paid by consumers, had an antinomic relationship to producer co-operatives, co-operatives looking to maximise the price received by producers, Plunkett and company decided to establish their own central co-operative organisation, the IAOS, in 1894. It is worth stressing that the apex institution representing Irish co-operatives at a national level was not established on a federated basis as in other countries. In most discussion on the development of central institutions in co-operative literature the emphasis is on individual co-operatives combining on a ‘higher level’.³⁴ In Ireland the order was reversed with a central

²⁹ Henry W. Wolff, *Co-operative banking: its principles and practice* (Westminster, 1907), p. 130.

³⁰ *Twenty fourth report of the Postmaster General on the Post Office*, pp 49-50. [c. 2193] H.C. 1878-79, xxi, 133.

³¹ Horace Plunkett, *Ireland in the new century* (London, popular edition with epilogue, 1905), p. 187.

³² *Ibid*, p. 190.

³³ Horace Plunkett, *Ireland in the new century* (London, popular edition with epilogue, 1905), p. 185.

³⁴ Johnston Birchall, *The international co-operative movement* (Manchester, 1997), p. 35.

organisation creating local co-operatives, or a top-down development of co-operation as opposed to a bottom-up approach. The role of the IAOS was outlined by Horace Plunkett as follows:

In the first instance it was to consist of philanthropic persons, but its constitution provided for the inclusion in its membership of the societies which had already been created and those which it would itself create as time went on.³⁵

As can be seen in the context of co-operation the propagating agency was itself an innovation. Giving evidence to the money lending inquiry Plunkett said that the role of the IAOS was to ‘persuade’ people to adopt co-operation.³⁶ Without the efforts of Horace Plunkett or the IAOS it is unlikely that co-operative forms of agricultural production would have developed. Private creameries using mechanical machinery had been established in Munster before the development of co-operatives,³⁷ so it is likely that this would have been the line of development had the co-operative propagators not influenced the market.

2.2 Raiffeisenism – origins in Ireland

The first Raiffeisen society was established in Doneraile Co. Cork by the IAOS in 1894 at the ‘personal initiative’ of Horace Plunkett,³⁸ and the establishment of Raiffeisen societies was at the behest of the IAOS. Therefore in order to understand why Raiffeisen societies were introduced we must first try and understand why the IAOS felt they were needed.

The best source of information on why the IAOS felt Raiffeisen societies were needed comes from the Parliamentary inquiry into money lending in the UK. The inquiry began in 1897, but the committee did not produce a report in its first year, and its work was carried over into 1898. On the 31 March 1898, three IAOS delegates and a secretary of one of the earliest Raiffeisen societies found in Ireland gave evidence to the committee of inquiry. The IAOS delegates were Horace Plunkett and two bank organisers, George Russell and P. J. Hannon. The evidence of all three men is very similar, most likely as they had briefed each other on the day, and there is little

³⁵ Ibid, p. 192.

³⁶ *Report from the Select Committee on Money Lending; together with the proceedings of the committee, minutes of evidence, appendix and index*, paragraphs 1973, pp 101-102. H.C. 1898 (260), x, 101. (Hereafter, *Report from the Select Committee on Money lending*)

³⁷ Proinsias Breathnach, ‘The diffusion of the co-operative creamery system in Ireland, 1889-1920: a spatial analysis’ (NUI Maynooth, Department of Geography, PhD thesis, August 2006), p. 356.

³⁸ Henry W. Wolff, *People’s banks: a record of social and economic success* (2nd edition, London, 1896), p. 390.

deviation. They outlined five sources of credit in rural Ireland and the complaints that they had against them. The sources of credit were joint stock banks, trust auctions, LFB loan fund societies, shopkeepers and money lenders.³⁹

Their complaints against the joint stock banks were essentially that there were high ancillary costs of credit. They believed that the joint stock banks were not prevalent in the west and as such there were high transport costs associated with borrowing from them. They also believed the cost of treating, that is the cost of transport, food and whiskey for a borrower and his sureties, also increased the cost of a loan from a borrower's perspective. The trust auction system was newly established in Ireland and was confined to Co. Donegal in the North West of Ireland. It involved the collusion of a buyer and seller in an auction with the aim being to get an advance from the auctioneer. The example given was of a buyer who would bring a cow to an auction, his neighbour would bid up the price for the cow, the buyer would then give the auctioneer a bill of sale and the auctioneer would discount this bill of sale for the seller. The actual sale was fraudulent, but the seller of the cow would have received a loan. George Russell, the only one of the three IAOS delegates who had direct knowledge of the system,⁴⁰ disliked it as the sale was 'a sham' and because the borrower was paying two charges: the initial auctioneers fee and the discount of the bill.⁴¹ The IAOS delegates believed that although the interest charged by LFB loan funds was relative low, the loan terms were unsuited to the needs of agriculturists. Usurious money lending was believed to be uncommon in Ireland, but that shopkeeper credit was extensive. Both activities seem to have come under the heading 'gombeenism.' The IAOS delegates believed that the introduction of Raiffeisen societies was the remedy to the five 'evils' they had outlined.⁴²

Before further discussing the IAOS views on why Raiffeisenism was needed it is worth highlighting the level of ignorance of the IAOS delegates in relation to joint stock banking in Ireland. Given that they were advocating the establishment of a new form of banking, would they not have made inquiries about the existing banking system of the island? This they did not do, all their information was based on second

³⁹ *Report from the Select Committee on Money Lending*, pp 99-120.

⁴⁰ Horace Plunkett said that he received his information from George Russell and P. J. Hannon: *Report from the Select Committee on Money lending*, paragraph 1941, p. 100.

⁴¹ *Report from the Select Committee on Money Lending*, paragraphs 2159-2170, p.111..

⁴² Horace Plunkett believed that all five methods constituted a real evil: *Report from the Select Committee on money lending; together with the proceedings of the committee, minutes of evidence, appendix and index*, paragraphs 1971-1972, p.101, H.C. 1898 (260), x, 101.

hand accounts of banking practice. Horace Plunkett was asked ‘have you paid much attention to the subject of banking in Ireland?’ his response was: ‘No; I cannot say that I have paid much attention to it.’⁴³ George Russell was shown a map indicating the spatial distribution of joint stock banks in Ireland, and the areas where there were no banks were areas with sparse population distributions. It actually transpired that a joint stock bank branch had been active in Belmullet, a location of a Raiffeisen society, but that it closed due to a lack of business.⁴⁴ It was put to Plunkett that these Raiffeisen societies would have to locate in areas not served by joint stock banks because the joint stock banks were adequately serving the market.⁴⁵ The later actions of the IAOS also suggest that they did not see the joint stock banks as a problem. The IAOS made it their business to declare that the Raiffeisen societies were not in competition with the joint stock banks. George Russell described the Raiffeisen societies as auxiliaries of the joint stock banks in his evidence to the 1912 committee on agricultural credit.⁴⁶

The trust auction system that was outlined by G. Russell was not prevalent across Ireland, and seems to have been confined to Donegal. ‘Gombeenism’ by the acknowledgement of the IAOS delegates was also declining. It seems that it was the joint stock banks who were responsible for the disappearance of the Gombeen man.⁴⁷ As usurious money lending was acknowledged to be a rarity, the main gripe of the IAOS delegates was with shopkeeper credit, the policy of long and short pricing by shopkeepers. This was the difference between the prices of goods bought on credit, versus the price bough with cash.

This view that gombeenism was the problem was repeated at different occasions. The views of Horace Plunkett can be seen in the discussion that followed a paper on ‘agricultural credit banks’ at the *Royal Statistical Society*. Plunkett believed that ‘cheap credit’ was necessary for the relief of small farmers. He said the aim in introducing Raiffeisen banks was to ‘reach those who had no credit with the ordinary banking institutions’ and to curb the extortionate interest rates charged by Gombeen men.⁴⁸

⁴³ Ibid, paragraphs 2016, p.105.

⁴⁴ Ibid, paragraphs 2224-2225, pp 113-114.

⁴⁵ Ibid, paragraphs 2104, p.108, H.C. 1898 (260), x, 101.

⁴⁶ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1914, p. 63. [Cd. 7376], H.C. 1914 xiii, 431.

⁴⁷ *Report from the Select Committee on Money Lending*, paragraphs 2231-2232, p.114.

⁴⁸ R. A. Yerburgh, ‘Agricultural Credit Banks’ in *Journal of the Royal Statistical Society*, lix, no. 3 (Sept, 1896), pp 480-481.

George Russell gave a memorandum to the 1914 committee on agricultural credit in Ireland outlining his views on Raiffeisenism. G. Russell stated that ‘the country was at the time the IAOS began its work, overrun by private moneylenders.’⁴⁹ In his book *Co-operation and Nationalism* G. Russell outlined the various rural moneylenders whose actions he objected to. Interestingly he did not have any complaint against the joint stock banks, the only issue he had with them was that their loan terms were inconvenient for agriculturalists. His main grievance was directed towards rural traders, who he deemed ‘gombeen men’:

There remains now the one universal credit-giver – the rural trader. I find it difficult to write calmly of the abuses of the credit system which once prevailed all over Ireland, and which still prevail in many districts, but especially in the west. Nothing is easier for the farmer than to run into debt at one of these country shops. He is invited to help himself to everything the shop contains up to a certain well-defined limits. He may be allowed a year or a year and a half to be behindhand with his payments. The aim is to let him sink into debt, not so deeply as to imperil the security the trader has, but deeply enough to make it difficult or impossible for the customer to quickly extricate himself. In fact the idea is to have tied customers – men who must buy where they already owe money, who are not in a position to quarrel with prices or quality of the goods supplied. When the trader has double functions as middleman, not only supplying requirements but accepting produce, the system is one of the most effective means of fleecing the farmer at both ends of his business which could be devised.⁵⁰

This attack on rural traders is consistent with the work of T. A. Finlay, another key figure in the co-operative movement and vice-president of the IAOS. In an article written in 1894 Finlay made the following statement:

The gombeen man, Hebrew or Celtic, is, frankly and undisguisedly a usurer; he charges his 60 per cent, or his 200, or 2000 per cent., candidly and unequivocally; with a little knowledge of arithmetic the borrower can ascertain exactly how he is dealt. But there is another usurer who plies his business much more insidiously, and whose operations are certainly not less fatal to the unhappy agricultural debtors – I mean the shopkeeper turned usurer.⁵¹

The only problem is that the definitions of gombeenism were quite broad comprising of money lending, loan sharks, and also consumer credit in shops. In the evidence of P.J. Hannon he outlined the practices of a money lender who he called a Gombeen man. He was told that did not constitute gombeenism, that what described was ‘only usurious money lending’, but Hannon stated that ‘I do not quite understand

⁴⁹ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1885, p. 60. [Cd. 7376], H.C. 1914 xiii, 431.

⁵⁰ George W. Russell (Æ), *Co-operation and nationality* (Dublin, 1912), pp 12-13.

⁵¹ T. A. Finlay, ‘The usurer in Ireland’ in *The New Ireland Review*, i, (July, 1894), pp304- 316.

the distinction.’⁵² This problem of defining what constituted a ‘Gombeen man’ is not something confined to contemporaries.⁵³

It is difficult to discern with accuracy the level of gombeenism, if in fact it did exist, in rural Ireland. One source that has been used by Irish historians is the baseline reports of the Congested District Board, from these reports one can see that although shop credit was widespread, the effective interest rates were not extortionate. Liam Kennedy has shown that there was an increase in the number of shopkeepers in rural Ireland and that this probably caused a decrease in the cost of credit.⁵⁴

From the perspective of G. Russell and T. A. Finlay it can be taken that the Raiffeisen banks were to be used as an instrument to tackle gombeenism in the form of high interest money lending and shop debts. So Plunkett, G. Russell, and Finlay offer consistent reasons for establishing Raiffeisen banks, namely to curb gombeenism, particularly in the retail sector. Given what we know about joint stock banking in Ireland, and given that the IAOS propagators wished to tackle ‘gombeenism’ or ‘shopkeeper credit,’⁵⁵ surely some form of co-operative stores and wholesale federations would have been a better instrument to address shop credit?

2.3 Information on Raiffeisenism

A key consideration in understanding the establishment of Raiffeisen societies is how information on their structure was obtained by the IAOS and subsequently diffused to adopters of Raiffeisenism. Henry Wolff, an authoritative author on co-operative credit and considered by contemporaries to be the leading expert on credit co-operatives in the English speaking world, believed that co-operative banks could be established in Ireland.⁵⁶ And by all accounts Henry Wolff played a key role in instigating

⁵² *Report from the Select Committee on money lending; together with the proceedings of the committee, minutes of evidence, appendix and index*, paragraphs 2272, p.116, H.C. 1898 (260), x, 101.

⁵³ Peter Gibbon and M. D. Higgins, ‘Patronage, tradition and modernisation: the case of the Irish “gombeenman”’ in *The Economic and Social Review*, vi, no.1 (October, 1974), pp 27-44; Liam Kennedy, ‘A sceptical view on the reincarnation of the Irish “Gombeenman”’ in *The Economic and Social Review*, viii, no.3 (1977), pp 213 – 222; Peter Gibbon and M. D. Higgins, ‘The Irish “gombeenman”: re- incarnation or rehabilitation’ in *The Economic and Social Review*, viii, no.4 (1977), pp 313-320.

⁵⁴ Liam Kennedy, ‘Traders in the Irish Rural Economy, 1880-1914’ in *The Economic History Review*, xxxii, no.2 (May, 1979), pp 201-210.

⁵⁵ *Report from the Select Committee on Money Lending*, paragraph 1945, p. 100.

⁵⁶ Henry W. Wolff, *People’s banks: a record of social and economic success* (1st edition, London, 1893), p. 248.

Raiffeisenism in Ireland.⁵⁷ Wolff acknowledged the fact that he had been invited to Ireland by Horace Plunkett to advise the IAOS on the subject of credit co-operation,⁵⁸ and that the IAOS ‘is now actively turning that explanation to account’.⁵⁹ Given the key role played by Wolff in the establishment of co-operative banks along Raiffeisen lines in Ireland, it would be interesting to see what he knew about the subject.

The key features of the Raiffeisen system that Wolff believed were the main causes of success were the area restrictions, unlimited liability and selective restriction of members.⁶⁰ The area restrictions were emphasised because it meant that a society could maximise the use of local information.⁶¹ Wolff stated that ‘the object is not, to secure a large roll of members, but rigidly to exclude everyone who is not really eligible.’⁶² Another key feature which Wolff dwelled on was the creation of an indivisible reserve fund, going so far as to say that the ‘reserve is the backbone of the society’.⁶³ Wolff also outlined other key features of the system such as the role of a committee within each bank together with a council of supervision as internal monitoring mechanisms to minimise the possibility of loss. Wolff also believed that the external auditing arrangements were an important monitoring arrangement.⁶⁴ Wolff emphasised that the object of the society was not to make borrowing easy, but in fact to make it difficult.⁶⁵ Loans were to be screened by members, with personal borrowing and collateral substitutes used to secure loans; these substitutes were sureties. Loans were to be repaid in regular instalments with punctuality being insisted upon. Wolff also believed that the encouragement of thrift was an important consideration. The thrift side of the movement led to the establishment of a federated Central Bank in 1874,⁶⁶ this being an institution that acted as a clearing house between societies with surplus deposits and societies with excess demand. Wolff also

⁵⁷ See: Lionel Smith-Gordon and Laurence C. Staples, *Rural reconstruction in Ireland: a record of co-operative organisation* (Westminster, 1917), p.135 and *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1885, p. 60. [Cd. 7376], H.C. 1914 xiii, 431.

⁵⁸ *Report from the Select Committee on Money Lending*, paragraph 667, p.47.

⁵⁹ Henry W. Wolff, *People's banks: a record of social and economic success* (2nd edition, London, 1896), p. 387.

⁶⁰ Henry W. Wolff, *People's banks: a record of social and economic success* (1st edition, London, 1893), pp 84-86.

⁶¹ *Ibid*, p. 76.

⁶² *Ibid*, p. 73.

⁶³ *Ibid*, p. 75.

⁶⁴ *Ibid*, p. 74.

⁶⁵ *Ibid*, p.76.

⁶⁶ *Ibid*, p. 79.

highlighted federated co-operative wholesale supply societies that were linked with the Raiffeisen system.⁶⁷

From Wolff's account Raiffeisen established his first credit co-operative in 1847, but that there was slow growth in the system, the second Raiffeisen co-operative not being established until 1854, the third in 1862 and it was not until 1880 that they began to 'perceptibly multiply.'⁶⁸ Coincidentally a British parliamentary inquiry stated that 'the first purchase on joint account was made in 1880 by the Central Department at Neuwied.'⁶⁹ It is also interesting that Wolff's chronology of the growth in Raiffeisen societies is consistent with that of a recent historical account.⁷⁰ And his outline of the Raiffeisen structure is consistent with that outlined by Tim Guinnane. So given that the IAOS had adequate information about the structure of a Raiffeisen society it is worth exploring how they transferred this information to the societies which they established.

The IAOS employed organisers to personally propagate the message of co-operation. Initially the work of the bank organisers was concentrated within the area of the Congested Districts Board (CDB), as the CDB had agreed to subsidise the organisation programme.⁷¹ In evidence to the committee on agricultural credit G. Russell gave evidence of how he went about raising awareness of Raiffeisen societies:

If I started a society the parish priest or the doctor would give me a letter of introduction to someone in the next parish, or perhaps at the meeting people would come in from three or four parishes and discuss the matter afterwards in their own district, and ask me to come out. After the first half dozen societies had been established, I found no difficulty at all. I could have gone from one district to another organising societies, but the first half dozen were a difficult proposition.⁷²

Deliberate attempts were made to diffuse the information to people in the West of Ireland in their vernacular language. The IAOS used an Irish speaking organiser to visit the communities and also had 'the Agricultural Banks explained in a Gaelic leaflet.'⁷³ Members of the first society in Doneraile Co. Cork also gave talks on the benefits of co-operative credit societies. For example the secretary of the bank

⁶⁷ Ibid, pp 80-81.

⁶⁸ Ibid, p. 71.

⁶⁹ *Reports from Her Majesty's representatives abroad on the Raiffeisen system of co-operative agricultural credit associations*, p. 22. [c. 7896] H.C. 1895, ciii, 313.

⁷⁰ Table 6 in Michael Prinz, 'German rural cooperatives, Freiderich – Wilhelm Raiffeisen and the organisation of trust', Universitaet Bielefeld, paper delivered to the 13th International economic history association conference, Buenos Aires, 2002.

⁷¹ *Report from the Select Committee on Money Lending*, paragraph 2000, p.104.

⁷² *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1904, p. 63. [Cd. 7376], H.C. 1914 xiii, 431.

⁷³ IAOS annual report, 1899-1900, p. 13

addressed a meeting at Steamstown, Co. Westmeath in 1896 shortly after the Doneraile society was established.⁷⁴ The IAOS also did all the work in regards getting societies on their feet. The IAOS would get the society registered, and provided the necessary stationery.⁷⁵ The IAOS also organised the printing of rule books that were required under legislation, one copy was required to be registered with the Registrar of friendly societies and the others to be provided to members. The rules used were a standardised set of rules written by the IAOS but with the locals decided the area of operation and the rates of interest on loans and deposits. There are a number of rule books still existing in a number a files relating to individual Raiffeisen co-operatives and in the files of the Registrar of Friendly Societies.⁷⁶

There were also a number of concessional loans from government bodies, this is discussed in section 3.2, and an important question to ask is how the individual societies were informed of these concessional loans? The answer it seems is that the IAOS told them. Evidence of this comes from a number of sources. Firstly at a parliamentary enquiry in 1912 it was asked who applied for the loans, was it the IAOS or the societies themselves. The answer was that the societies themselves applied for the loans,⁷⁷ but that the IAOS were involved in the process. T.P. Gill, a senior figure in the DATI, said that:

I should mention that in those days the department was working in co-operation with the IAOS and that any applications from the Banks were first sent to the IAOS to be reported on. It was on the report of the IAOS, and on its Bank organisers' recommendations, that the loans were made by the Department.⁷⁸

Gill's statement was supported by T.W. Russell, the president of the DATI, and Gill's statement is also supported by archival evidence as there are letters from the Secretary of the IAOS, R.A. Anderson, to the various bank organisers asking them to write up a letter of recommendation so that a bank could receive a loan. Take for example the case of the Kiltimagh Credit Society, Co. Cavan.⁷⁹ The IAOS organiser, J. Moore,

⁷⁴ *Irish Homestead* (1 August , 1896).

⁷⁵ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1904, paragraph 1544, p. 48. [Cd. 7376], H.C. 1914 xiii, 431.

⁷⁶ For example 'Rules of the Corrigan Agricultural Bank' in (*N.A.I.*, 1088/280/1, Corrigan Agricultural Bank); and there various rule books of the Columbkille society are contained in the file of the Registrar of Friendly Societies, 'Rules of the Columbkille Credit Society' in (*N.A.I.* , RFS SA 476, Columbkille Credit Society).

⁷⁷ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1904, paragraph 28, p. 4. [Cd. 7376], H.C. 1914 xiii, 431.

⁷⁸ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 1904, paragraph 33, p. 3. [Cd. 7376], H.C. 1914 xiii, 431.

⁷⁹ Please note that some IAOS archival file names do not correspond to the society referred to within the file.

was responsible for setting the society up, saying that ‘having again explained the advantage of and method of formation – it was unanimously decided to apply for registration.’⁸⁰ J. Moore then wrote the following memorandum regarding the Kiltimagh Credit society Co. Cavan recommending that they be given a loan from the DATI:

As this is a very poor district I would strongly recommend they should obtain a loan of £100 from the Department of Agriculture, and have got the form of application filled up accordingly. As arranged in previous correspondence, I trust the sub-committee will strongly support this recommendation.⁸¹

The impression that the IAOS supported and encouraged societies to form based on the availability of concessional loans is supported by a recollection of Patrick Gallagher, or Paddy ‘The Cope’ Gallagher, a popular figure in the Irish co-operative movement. Gallagher is more commonly associated with a co-operative store that he established in Templecrone Co. Donegal, but prior to that he was involved in a co-operative bank. According to Gallagher there was an announcement that a gentleman from Dublin would be visiting the parish for the purpose of establishing a co-operative bank. The gentleman in question was Æ (George Russell),⁸² so this is in line with the statement from Æ cited above. The following is Gallagher’s version of events:

He [Æ] got up on the rising ground and commenced talking to the people and telling farmers the benefit they would gain by having a Co-operative Agricultural Bank. If they decided to start one the Congested Districts Board would give them fifty pounds to begin with. He appealed to the audience to subscribe. He said the more they subscribed the more the Congested Board would give. The Parish Priest said he would give five pounds, and three or four merchants said they would give five pounds each. I said I would give five pounds.⁸³

According to Gallagher Æ also told the people that it was up to the IAOS whether or not a bank would be registered.⁸⁴ Given that Æ encouraged Gallagher to tell his story, we can take it that this account is accurate. What is also interesting, and in line with what was discussed above, Gallagher said that the reason he left the agricultural bank was because he wanted the agricultural bank to buy wholesale goods for its members. Gallagher had experience of consumer co-operatives in his time in Scotland and

⁸⁰ ‘Letter from J. Moore to the IAOS secretary, re: proposed agricultural bank at Kiltimage’, 9 November 1907 (*N.I.A.*, 1088/552/1, Killanagh Credit society, Co. Leitrim).

⁸¹ ‘Memorandum from J. Moore to the secretary of the IAOS’, 27 December 1907 (*N.I.A.*, 1088/552/1, Killanagh Credit society, Co. Leitrim).

⁸² Patrick Gallagher (introduction by Peadar O’Donnell), *My story by Paddy the Cope* (London, 1939, Reprint Kerry 1979), pp 62-63.

⁸³ *Ibid*, p. 63.

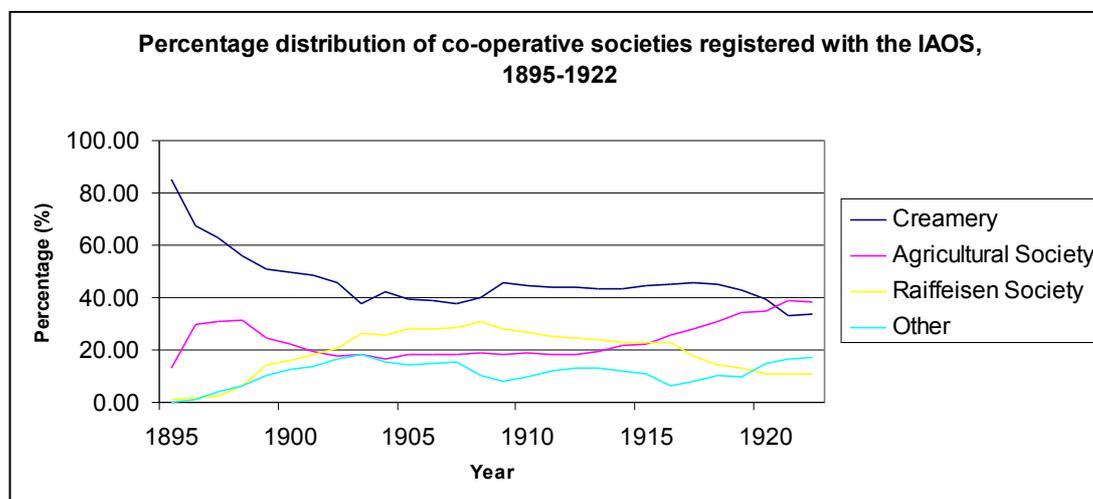
⁸⁴ *Ibid*, p. 63.

wanted to introduce a similar variety in Ireland. However his fellow committee members did not agree with his stance, saying that trading was against the rules of the society.⁸⁵ This prevention of Raiffeisen societies trading is discussed below. Gallagher chose to set up a co-operative store rather than keep the agricultural bank, believing it to be more beneficial. When he did this the committee members of the Agricultural bank threatened to withdraw their money from the bank if Gallagher did not cease co-operative trading.⁸⁶ So this again begs the question why were Raiffeisen societies established and not co-operative stores.

3.1 Raiffeisenism in Ireland

As was discussed above, the IAOS was responsible for establishing co-operative societies in Ireland. In fact, it was stated that it was not until 1912 that the first co-operative was set up at the initiative of farmers, whereas ‘in former years the initiative had to be taken in all cases by our organisers’.⁸⁷ Figure 2 shows the distribution of co-operative societies registered with the IAOS, and as can be seen the Raiffeisen societies were not insignificant during the period 1898 to 1915.

Figure 2



Sources: IAOS annual reports 1899-1922

The data on individual Raiffeisen co-operative societies in Ireland was mainly been obtained from the annual reports of the IAOS, but additional information was

⁸⁵ Patrick Gallagher (introduction by Peadar O’Donnell), *My story by Paddy the Cope* (London, 1939, Reprint Kerry 1979), p. 64.

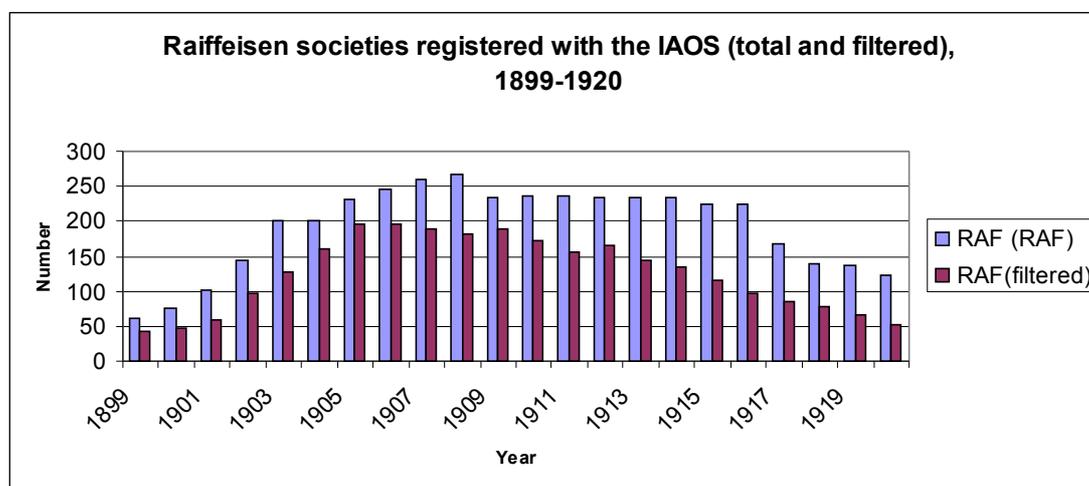
⁸⁶ *Ibid*, p. 81.

⁸⁷ IAOS annual report 1912, p. 3.

obtained from archival sources. Annual accounts of the various Raiffeisen societies were printed in the IAOS annual reports. Data has been obtained and analysed for the years 1899 to 1920. Firstly it must be stressed that the IAOS continually included inactive societies in their annual list of Raiffeisen societies. Therefore it was necessary to filter the active from the inactive societies as a large number of zero values will distort any findings.

For the purposes of this study inactive societies have been defined as those that either did not submit annual accounts, or those that submitted incomplete accounts. The IAOS when publishing information about their societies always stressed the large number of registered societies, irregardless of activity. The IAOS maintained that the societies which did not submit accounts were active,⁸⁸ until 1916 when a number of inactive societies were struck off their register.⁸⁹ Given that the IAOS was supposed to audit the accounts of each Raiffeisen society,⁹⁰ the large number of incomplete returns suggests that these societies may not have been active, a view supported by the IAOS itself.⁹¹ The Registrar of Friendly Societies also reported that a large number of the Raiffeisen societies did not submit returns.

Figure 3



Sources: IAOS annual reports, 1899-1920.

Figure 3 shows the number of Raiffeisen societies, both the IAOS figures and the number filtered for activity, as can be seen the amount of societies recorded by the IAOS was greater than the number of inactive societies. For the remainder of this

⁸⁸ For example see IAOS annual report 1909, p. 3.

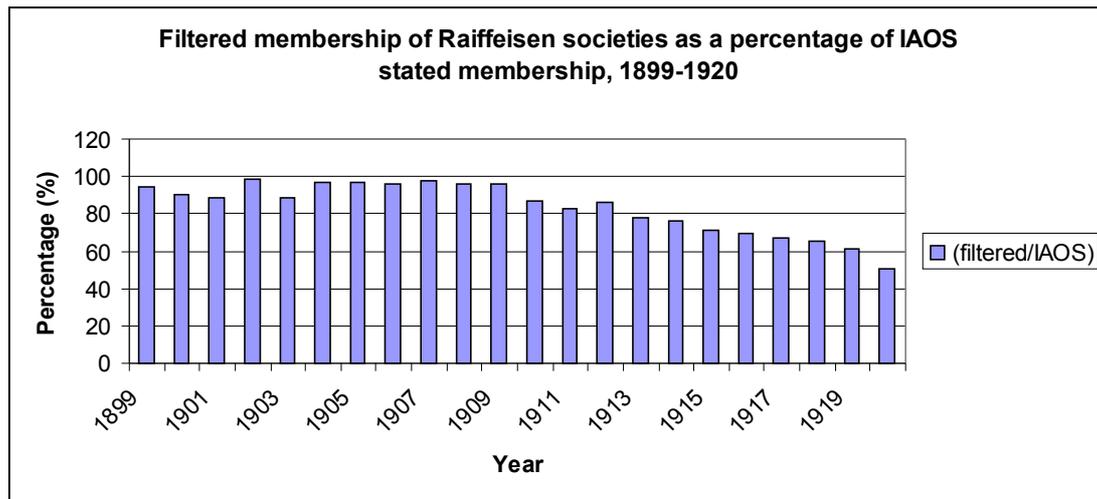
⁸⁹ IAOS annual report 1916, p. 14.

⁹⁰ IAOS annual report 1911, p. 3.

⁹¹ IAOS annual report 1914, p. 5.

paper, unless stated otherwise, the graphs depict activity of the active Raiffeisen societies as in general the IAOS did not have information for the inactive societies. The main exception to this is the Raiffeisen membership statistics. If a society was inactive the IAOS still recorded membership statistics for inactive societies. In the initial years of the Raiffeisen societies there was no major discrepancy between the IAOS stated membership and the filtered membership as shown in figure 4.

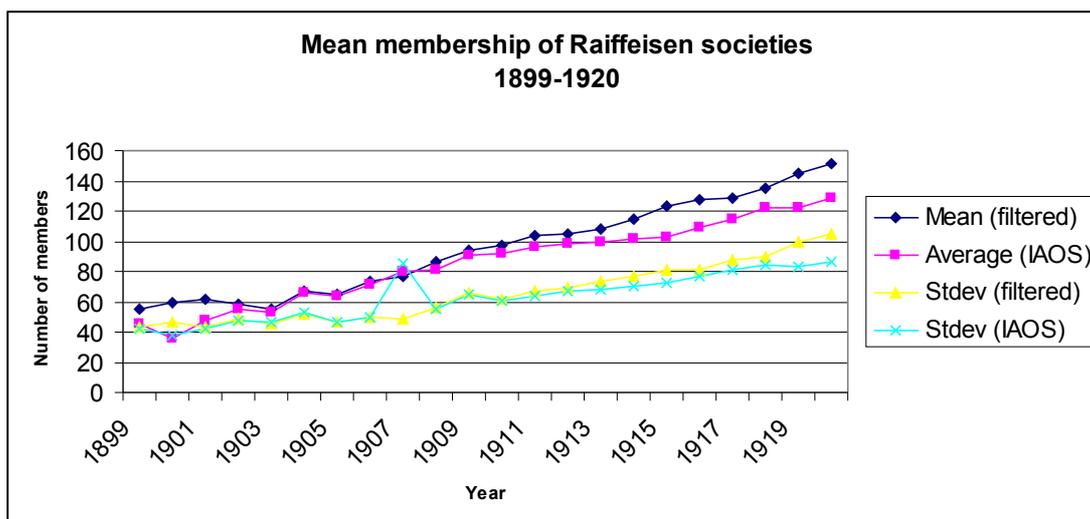
Figure 4



Sources: IAOS Annual reports, 1899-1920.

From 1910 to 1920 there is an increasing discrepancy between the recorded membership as stated by the IAOS and the filtered membership figures used here. The unlikelihood of an inactive society to resume activity indicates that the membership of Raiffeisen societies was in fact overstated by the IAOS and this fact has implications for the analysis of the mean membership size of Raiffeisen societies. Figure 5 shows the time trend in mean membership of Raiffeisen societies in Ireland. What can be seen is that there was an increase in the mean membership over time. Given the decline in the number of Raiffeisen societies, this suggests that the societies with the longest staying power were societies that had larger membership over time, but the standard deviation between societies was also quite high.

Figure 5



Source: IAOS annual reports, 1899-1920

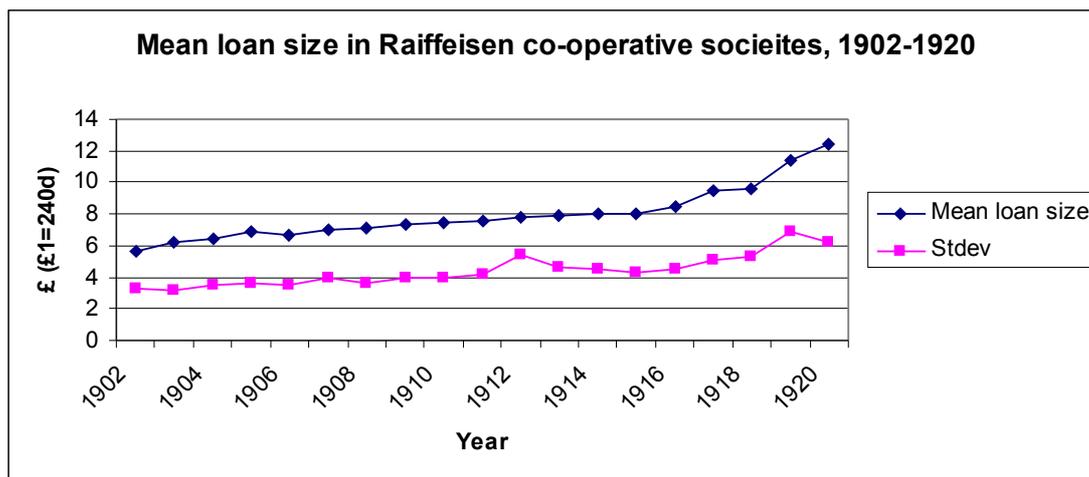
The mean loan sizes in Raiffeisen societies from 1902 -1920 are shown in figure 6. It must be borne in mind that the inflation associated with the First World War was a contributory factor in pushing up the mean loan size from 1914 to 1920. In some of the IAOS annual reports examples were given of loan usage in Raiffeisen societies, these included the purchase of pigs, manure and seeds.⁹² The IAOS bank organisers reports also give use an indication of how loans were used, and from the available evidence it seems as though loans were used primarily for the purchase of livestock.⁹³ It is worth commenting on the fact that a commonly cited loan use was for the ‘holding over of stock.’ This, according to evidence from the money lending commission, referred to loans to pay rent to prevent the sale of stock at awkward times.⁹⁴

Figure 6

⁹² IAOS annual report 1900, pp 11-13.

⁹³ A list of loan uses for a number of Raiffeisen societies is contained in appendix 2 of this paper.

⁹⁴ *Report from the Select Committee on Money Lending*, paragraphs 2138, p. 110.



Source: IAOS annual reports, 1902 – 1920.

3.2 Raiffeisen capital

As was seen in figure 3 the number of Raiffeisen societies grew slowly at first, grew rapidly, before declining. This section aims to show how the early growth in Raiffeisen societies was actually related to the availability of concessional loans. The first Raiffeisen society was established in 1894 and there was only one society formed annual from 1895 to 1897, then the number of societies formed saw a dramatic increase in 1898. The low number of formations was primarily due to the legal constraints that the Raiffeisen societies faced, which is discussed below. The constraints essentially prevented societies borrowing from non-members, but following the Societies Borrowing Powers Act⁹⁵ in 1898 individual Raiffeisen societies were offered incentives to form via the availability of concessional loans from Government departments. The CDB had been willing to give loans earlier than 1898 but legal constraints prevented the Raiffeisen societies borrowing money.⁹⁶ The CDB, which was a development agency operating in the West of Ireland, began offering concessional loans to societies operating within its area of jurisdiction. The first set of loans were made in 1898 very shortly after the Societies borrowing powers act was passed and 20 loans were made to Raiffeisen societies during 1898 year. The loans for either £50 or £100 were issued at 5 per cent, with the rate being reduced to

⁹⁵ An Act to empower certain societies to borrow money from persons and corporations other than members, 1898 (61 & 62 Vict.), c. 15. [25th July 1898].

⁹⁶ *Report from the Select Committee on Money Lending*, paragraph 2074, p.107.

2.5 per cent if the loans were punctually repaid.⁹⁷ The following year it was decided to continue the Raiffeisen loan scheme, but at a uniform rate of 3 per cent.⁹⁸

As the initial loan schemes were confined to Raiffeisen societies established in the Congested Districts it is not surprising to see that the majority of Raiffeisen societies established in those years were located within the Congested Districts. Using the year of establishment figures that the IAOS began publishing in 1902 we can see if the existence of concessional loans had an influence on the number of Raiffeisen societies formed. If they did we would see a concentration of Raiffeisen societies within the Congested Districts, if they did not then we would expect to see a uniform distribution of Raiffeisen societies across all provinces. From table 3 we can see that the majority of societies formed between 1898 and 1901 were actually formed within the Congested Districts.

Table 3: Annual formation of Raiffeisen societies in Ireland by province, 1894-1901

Year	Connaught	Munster	Ulster	Leinster	Total Ireland	% in Congested
1894	0	1	0	0	1	0
1895	0	0	0	1	1	0
1896	1	0	0	0	1	100
1897	0	0	0	1	1	0
1898	19	3 (C)	6 (4 C)	5	33	78.79
1899	12	4(C)	7 (4 C)	0	23	86.96
1900	10	0	2	1	13	76.92
1901	5	12 (11 C)	10 (8 C)	1	28	89.29

Note: C indicates located in Congested region.
Source: IAOS Annual report 1903.

Table 3 indicates that the increase in the number of societies formed from 1898 to 1901 was due to the availability of concessional government loans as outlined above.

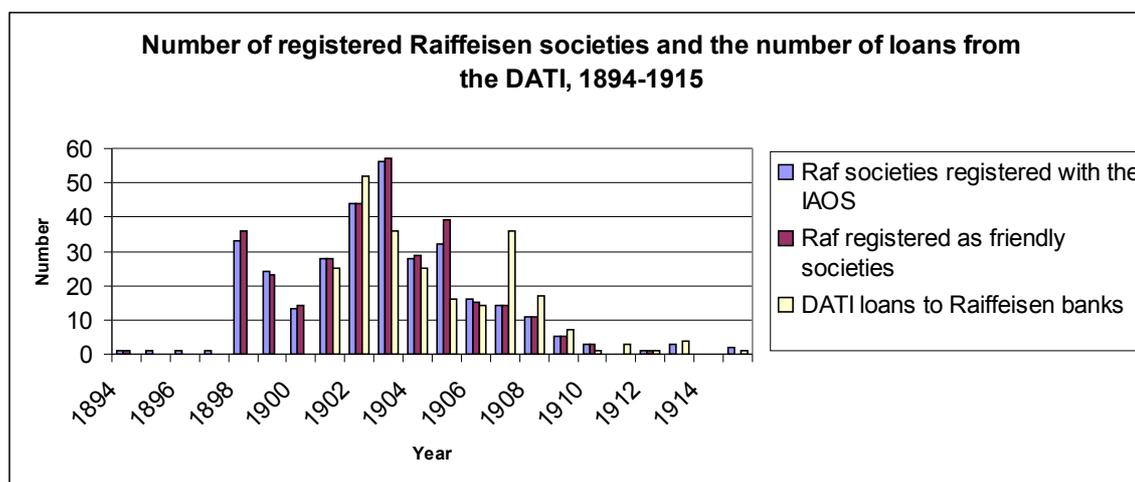
In 1901 the DATI also began to issue concessional loans to Raiffeisen societies on a national basis. The loans ranged from £25 to £100 and were given for terms of up to

⁹⁷ *Seventh annual report of the Congested Districts Board for Ireland*, pp 36-37. [C.9003] H.C. 1898-9, lxxvii.

⁹⁸ *Eight annual report of the Congested Districts Board for Ireland*, p. 29. [C. 9375] H.C. 1899-1900, lxxvi.

18 months.⁹⁹ The data on the number of loans was published in the annual reports of the DATI and combining this information with the information on the annual formation of Raiffeisen societies, shown in figure 7, it appears as though there was a link between the two.

Figure 7



Note: The DATI reports give information for the years 1900-01 etc, this means they give information for the 2nd to the 4th quarter of one year, and the 1st quarter of the next. Therefore the information is not directly compatible with other sources that give information for calendar years.

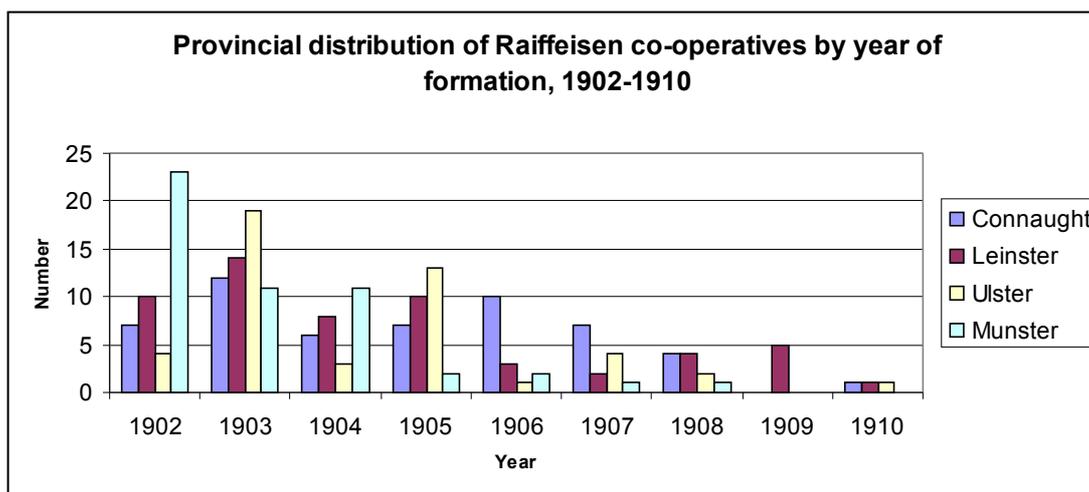
Sources: Annual reports of the DATI, 1900-1915, IAOS annual reports, 1902-1915; Annual reports of the Registrar of Friendly Societies, 1894-1915.

If the concessional loans were an important considerations in the establishment of Raiffeisen societies we would expect to see more societies being formed in non-congested regions of Ireland in the period from 1902 to 1910 due to the fact that they were available from a nationwide body. This is in fact is the case, as in the period 1902 to 1910 there were 209 Raiffeisen societies formed with a greater number formed in the non-congested regions¹⁰⁰ of Leinster and Ulster than had previously been the case.

Figure 8

⁹⁹ *Fifth annual report of the Department of Agriculture and Technical Instruction*, p. 13. [Cd. 2929] H.C. 1906, xxiii, 295.

¹⁰⁰ Non-congested here implying not under the jurisdiction of the CDB.



Source: IAOS Annual reports, 1902-1910.

The Raiffeisen societies also received loans from local government bodies. A number of county councils gave loans to Raiffeisen societies formed within their jurisdiction.¹⁰¹

Another key development in the co-operative story was the availability of loans from joint-stock banks. Initially the joint-stock banks had been wary of the co-operative movement in general, not just the Raiffeisen societies. In the 1901 the IAOS outlined a number of grievances it held against the joint stock banks, and threatened to establish a co-operative bank to finance the movement if the grievances were not addressed.¹⁰² The following year the IAOS negotiated preferential treatment for all its co-operative societies from all the joint stock banks.¹⁰³ From 1902 onwards the joint stock banks agreed to lend money or set up overdraft accounts for societies at a fixed rate of 4 per cent.¹⁰⁴

As was cited above, George Russell believed that the Raiffeisen societies were auxiliaries of the joint stock banks. So if we view the coalition of individual borrowers to borrow money from the joint stock banks from a game theoretic perspective it appears to be in a Nash-equilibrium solution. As both parties, the joint stock banks, effectively their profit maximising shareholders, and the credit co-operatives, effectively their mutual coalition of members, stood to benefit. If co-operation amongst borrowers did not take place the outcome would not have been as beneficial to both parties and the players would not have been as well off had a

¹⁰¹ IAOS annual report 1902, pp 13-14, and IAOS annual report 1904, p. 19.

¹⁰² IAOS annual report 1901, pp 11-12.

¹⁰³ IAOS annual report 1902, p. 15.

¹⁰⁴ IAOS annual report, 1904, p.27.

different choice been taken. There would have been a deadweight loss from the decisions that deviated from borrower coalition as the borrowers were required to give up time during which the joint stock bank was opened for business. These hours of business were not normally hours which facilitated the agriculturalists schedule. This would have resulted in a decrease in labour input in the production process and a decrease in overall production to the detriment of the borrower, and as the position is replicated the aggregated actions would have had an affect on the rural economy as a whole. The joint stock banks found the arrangement beneficial and according to George Russell the joint stock banks found lending at 4 per cent to the combined pool of borrowers more profitable than lending to each borrower individually at 7 per cent.¹⁰⁵ The reason being that banking was labour intensive, and each loan, regardless of value, had to be given the same treatment from the banks.

The use of game theory to analyse why a coalition of borrowers was a Pareto efficient outcome raises the question therefore, why this outcome only took place with the establishment of the credit co-operatives and why did it not take place at any time previously. It could be argued that the answer to this is that prior to the formation of credit co-operatives there was not a conduit which could effectively signal the borrower's intention to combine and form a credible means of borrowing and disbursing funds amongst themselves. Borrower communication and combination was only realised with the formation of credit co-operatives. As the game of co-operation was not static, future events were to erode the benefits of co-operation. Joint stock banks were able to negotiate with larger borrowers and with the creation of credible property rights banks became willing to lend on mortgage. This undermined the benefits of the Raiffeisen system from the joint stock bank perspective. Also bank managers may have been able to exploit information that the banks created. This seems plausible as it was stated by the IAOS that managers of the joint stock banks were attending society AGMs.¹⁰⁶

A key consideration in the above concessional loan policy of the CDB and the DATI is the role of Horace Plunkett. Plunkett was a permanent member of the CDB from its establishment in 1890 and was also a key figure in the establishment of the DATI. Plunkett was the first vice-president of the DATI in 1899 and remained in the

¹⁰⁵ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1913, p. 63. [Cd. 7376], H.C. 1914 xiii, 431.

¹⁰⁶ IAOS annual report 1906, p. 9.

office until 1907.¹⁰⁷ It is not a coincidence that a key figure in the co-operative movement held positions of power in two bodies that gave concessional loans to the Raiffeisen societies. What is interesting is that the policy of concessional loans highlights the contradictory views of Plunkett himself. For example in his evidence to the committee on money lending he stated that:

I should not myself wish to see the government at this stage advance money to these banks; it would be very demoralising that money should be advanced to these banks from any source, until they had justified the confidence of the lender.¹⁰⁸

Yet within a few paragraphs he said that he had ‘no objection to England giving all the money she likes,’ but at the same time he would not recommend it.¹⁰⁹ He went on to say that the Raiffeisen societies would be set up with concessional loans from the CDB as it ‘was quite prepared to advance money to banks [Raiffeisen societies].’¹¹⁰ So what Plunkett appears to be saying is that he does not agree to the principle of state loans to Raiffeisen societies, but if the state wishes to lend money well he would not say no. Coincidentally, however, the report on money lending suggested that Raiffeisen societies could be a remedy to money lending, but did not recommend that the state provide start up loans to Raiffeisen co-operatives.¹¹¹ The availability of concessional loans seems to have influenced the decisions to establish societies, so then the decision to withdraw loans would also be expected to affect the decision to continue a Raiffeisen society or not.

Horace Plunkett lost his seat as an M.P. in 1900, but still held the position of vice-president of the DATI. This was slightly anomalous as the position was a junior ministerial post and the minister was supposed to answer questions in Parliament. Plunkett tried to regain a parliamentary seat on a number of occasions and was unsuccessful. It was not until a change in government in 1905 that there was a concerted putsch to remove Plunkett from office. Plunkett’s successor as vice-president, and who also became a member of the CDB, was T. W. Russell. A greater contrast could not be found between propagators of the co-operative system. Horace Plunkett had established the system and under his influence government policy towards co-operation had been formed. In contrast T. W. Russell, it has been claimed, was antipathetic

¹⁰⁷ Trevor West, *Horace Plunkett: co-operation and politics, an Irish biography* (Washington D.C., 1986), pp 54 & 82.

¹⁰⁸ *Report from the Select Committee on Money Lending*, paragraph 1987, pp 102-103.

¹⁰⁹ *Report from the Select Committee on Money Lending*, paragraphs 2072-2073, p.107.

¹¹⁰ *Report from the Select Committee on Money Lending*, paragraph 2074, p.107.

¹¹¹ *Report from the Select Committee on Money Lending*, p. xi.

towards co-operation in all its forms and did not see credit co-operation in a favourable light.¹¹² R. A. Anderson highlighted the level of his dislike for the credit co-operatives in particular. ‘He [T. W. Russell] declared publicly that the system under which the credit societies were formed was “rotten and indefensible” and gave it as his opinion that the £24,000 lent by the Board was “not worth more than half a crown in the £.”’¹¹³

However T.W. Russell’s stance seems to have been consistent, as he was the chairman of the inquiry into money lending that did not recommend government support for Raiffeisen societies. T. W. Russell also did not indiscriminately recall loans issued by both the DATI and the CDB, but instead made inquiries as to how the loans were being used. On the basis of his inquiries he decided to recall a number of loans, and was forced to write off the loans made to three societies. But the ultimate withdrawal of state loans came at the onset of the First World War. When the IAOS highlighted the decrease in Raiffeisen activity it was stated that:

The cause of this is clear; It is the decision of the Department of Agriculture to withdraw their loans from these societies and of the Congested Districts Board to recall most of their loans also. It is realised that, under war conditions, state capital, which might wisely continue to be lent to these societies is now required for the financing of other necessary operations for which the provision may be more and more sparingly made or may be withheld altogether.¹¹⁴

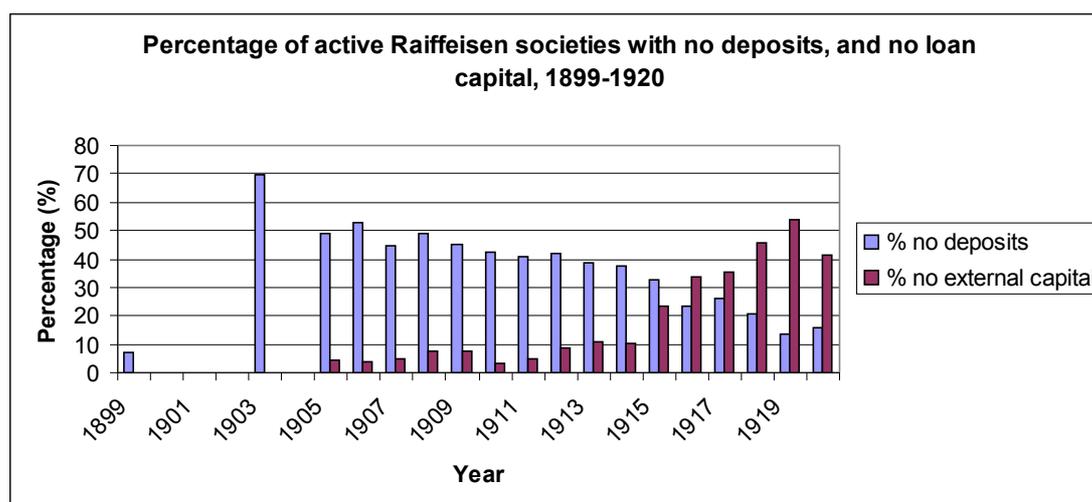
Societies that were over reliant on government loans and failed to diversify their sources of capital this meant that with the withdrawal of loans the societies had no alternative source of capital with which to fall back on. Evidence of this can be seen in figure 9 which shows the percentage of societies not possessing deposits, and the percentage of societies not possessing loan capital, capital on loan from government bodies and banks. If figure 9 is viewed with figure 3 in mind, it shows that as the number of societies decreased the number of societies that did not possess deposits decreased and the number of societies that did not have loan capital increased. Something which suggests that deposit mobilisation was key consideration to the long term survival of Raiffeisen societies

¹¹² Trevor West, *Horace Plunkett: co-operation and politics, an Irish biography* (Washington D.C., 1986), pp 75 & 83.

¹¹³ R. A. Anderson, *With Plunkett in Ireland: the co-op organiser’s story* (London, 1935, reprinted with foreword by William Ross, Dublin, 1983), p. 256.

¹¹⁴ IAOS annual report 1915, pp 16-17.

Figure 9



Sources: IAOS annual reports, 1899-1920.

4.1 Legislative constraints: The Friendly Societies Act v the Industrial and Provident Societies Act

This section will outline the legal context that faced co-operative societies forming in Ireland in the late nineteenth and early twentieth century. Co-operatives could form under a number of legal acts, but the body of legislation most commonly associated with co-operatives was the Industrial and Provident Societies Acts. When Raiffeisen societies were established they faced a choice between registration under the ‘Industrial and Provident Societies Act’¹¹⁵ or the ‘Friendly Societies Act’¹¹⁶. The Friendly Societies Acts were a body of legislation which gave legal recognition to friendly societies and any other societies that were not engaged in illegal activity.¹¹⁷ Friendly societies were life and sickness insurance societies that came into existence in Britain and Ireland in the late eighteenth century. They were given legislative recognition in an attempt to encourage their development as it was believed that such insurance societies would place less of a burden on the community for poor relief.¹¹⁸ The early British co-operatives registered under the friendly societies legislation and were enabled to do so by the clause that they were not engaging in illegal activity. But

¹¹⁵ Industrial and Provident Societies Act’, 1893.(56 & 57 Vict.) and ‘Industrial and Provident Societies Act’, 1893 (56 & 57 Vict.).

¹¹⁶ ‘Friendly Societies Act’, 1875 (38 & 39 Vict.) and ‘Friendly Societies Act’, 1896 (59 & 60 Vict.).

¹¹⁷ P. H. J. H. Gosden, *Self-help: Voluntary associations in nineteenth-century Britain* (London, 1973), p.191.

¹¹⁸ *Ibid*, p. 64.

developments in co-operative organisation and methodology in the 1840s, especially with the paying of dividends on shares, led to the enactment of the industrial and provident societies act.¹¹⁹ The Industrial and Provident Societies acts diverged from the Friendly Societies Acts and converged with the Company Acts, especially with the granting of limited liability to industrial and provident societies in 1862.¹²⁰ Co-operative banking, which was prohibited under early legislation, was legalised in the 1876 Industrial and Provident Societies Act.¹²¹

When agricultural co-operatives were established by the IAOS all bar the Raiffeisen societies were registered as industrial and provident societies.¹²² The overwhelming majority of credit co-operatives registered as specially authorised friendly societies under the ‘Friendly Societies Act’ as this allowed for unlimited liability. But this does seem to have been a suitable due to a number of constraints that were immediately clear to the propagators. George Russell outlined the position in his evidence to the committee on agricultural credit:

The system of co-operative credit desired by Raiffeisen seemed exactly the thing to suit our small Irish farmers, but when the attempt was made to draw up rules, embodying the full constitution of the Continental associations, the founders were met with these difficulties. There were two Acts – the Industrial and Provident Societies Act, which gave trading powers, but did not permit of the principle of joint and several liability, which was the essential feature of the German system, and there was also the Friendly Societies Act, which permitted societies to be constituted so that the members became jointly and severally liable for the debts of the association, and could mutually back each other up, but it did not permit of trading powers, and it was very inadequate in other ways for the purposes required, as the IAOS soon found out.¹²³

Firstly the Friendly Society legislation did not permit societies to actually borrow from non-members. The Raiffeisen societies that were initially established were identical to the friendly society loan funds discussed in section 1 in that they could only borrow from members and make loans to members. This meant that the Raiffeisen societies could not accept deposits or loans from third parties. This constraint was overcome in 1898 when a private members bill was passed which enabled Raiffeisen societies to borrow from non-members.¹²⁴ Coincidentally Horace Plunkett played a significant role in the introduction of the societies borrowing

¹¹⁹ Ibid, p. 192.

¹²⁰ Ibid, p. 193.

¹²¹ Ibid, p. 202.

¹²² *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraphs 1894-1895, p. 62. [Cd. 7376], H.C. 1914 xiii, 431.

¹²³ Ibid, paragraph 1885, p.60.

¹²⁴ An Act to empower certain societies to borrow money from persons and corporations other than members, 1898 (61 & 62 Vict.), c. 15. [25th July 1898], section 1.

powers bill in parliament. The act did not apply to the friendly society loan funds discussed in section 1 as it was only applicable to non-profit societies that had indivisible reserves. The friendly society loan funds annually divided profits between members. This was a practice common with friendly societies in the UK and it was one of the reasons why many friendly societies had ephemeral existences. The amendment to the friendly societies act also stipulated that loan use by members be constrained to those approved by the committee of a society.¹²⁵ It is also interesting that the borrowers powers act was highlighted when the CDB realised it could not make loans to Raiffeisen societies,¹²⁶ this suggests that the legislation was aimed primarily at facilitating loans to the societies. This is an important factor in Raiffeisen development in Ireland as it permitted people, joint-stock banks, and government departments to lend money to the Raiffeisen societies. It also undermined efforts for Raiffeisen societies to be started and funded by the deposits of members. Given the small number of Raiffeisen societies that were established between 1894 and 1897, perhaps this is an indication that the movement was not going to be supported by thrifty members.

Although the problem of borrowing from non-members was overcome, the remaining faults proved insurmountable. The friendly societies acts did not allow the credit co-operatives registered under it to have corporate status, trading powers, form centralised bodies, and it also placed a limit on the lending capacity of societies. Essentially this decision limited the scope of development for Raiffeisen societies as they could not develop ancillary structures similar to those that developed in Germany. In contrast societies registered under the 'Industrial and Provident Societies Act' were permitted to have limited liability, trading powers, federation, corporate status and there was no restriction on loan size.

So what made the IAOS decide to establish the Raiffeisen societies as friendly societies? Henry Wolff in his evidence to the committee on agricultural credit in Ireland said that he 'found some difficulty in selecting a convenient act'.¹²⁷ Wolff also said that it was on the advice of the Chief Registrar of Friendly Societies that he chose to have the Raiffeisen societies registered as specially authorised friendly societies.¹²⁸

¹²⁵ Ibid, section 2(a &b).

¹²⁶ *Report from the Select Committee on money lending*, paragraph 2001, p. 104.

¹²⁷ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraphs 7273, p. 211. [Cd. 7376], H.C. 1914 xiii, 431.

¹²⁸ Ibid, paragraph 7273, p. 211.

Wolff, with the help of the Chief Registrar of Friendly Societies, drew up the model rules for Raiffeisen societies.¹²⁹ Wolff was aware of the immediate limitations of the Friendly Societies Acts. He knew that the societies could not borrow from non-members, and he did not think that it was a concern, as he believed that the societies should be self financed from the deposits of members.¹³⁰ He was more concerned about the fact that legally the reserve fund of the society was dissolvable after the dissolution of a society; hence there would be an incentive to dissolve a society as was done with Friendly Societies.¹³¹ The other difficulty was that friendly society legislation required that loans were to be secured by a reserve of third of the amount on loan.¹³² These were Wolff's main considerations writing in 1896, and he seems to have overlooked other legislative restrictions that Raiffeisen societies would face under the Friendly Societies Acts. These he highlighted in later works. Writing in 1907 Wolff noted that:

As our law at present stands in the United Kingdom – there is reason to hope that it will soon be modified – co-operative banks with limited liability (such must necessarily be Share banks), in addition to having things made easy for them in their individual, purely banking, action, also enjoy these two valuable advantages, that they are free to combine to federation or Central Banks, and to couple, in country districts, trading in goods with trading in money. Unlimited liability banks, registered under the Friendly Societies Act, can at present do neither the one thing or the other.¹³³

As the Raiffeisen system had not developed as anticipated efforts, such as the ‘Thrift and credit societies bill,’¹³⁴ were made to reform the friendly societies acts to make them compatible with the demands of Raiffeisenism. The Thrift and credit societies bill aimed to address three difficulties. Firstly, to give Raiffeisen banks corporate status, secondly to enable Raiffeisen banks to federate and form central institutions, and thirdly to give Raiffeisen banks the right to possess trading powers.¹³⁵ Support for the ‘thrift and credit banks bill’ was unanimously agreed upon at the annual general meeting of the IAOS in 1910.¹³⁶ George Russell believed that the thrift and credit

¹²⁹ Henry Wolff, *Village Banks or Agricultural credit societies: how to start them, &c.* (London, 1894).

¹³⁰ Henry W. Wolff, *People's banks: a record of social and economic success* (2nd edition, London, 1896), p. 386.

¹³¹ *Ibid.*, p. 386.

¹³² *Ibid.*, pp 386-387.

¹³³ Henry W. Wolff, *Co-operative banking: its principles and practice* (Westminster, 1907), pp 294 – 295.

¹³⁴ This Bill was written by Henry Wolff. It was originally called the thrift and credit banks bill, but the word society was used in place of Bank in the final bill: *Hansard 5 (Lords)*, v (26 April, 1910), p. 702.

¹³⁵ *Ibid.*, p. 700.

¹³⁶ Report of the Irish Agricultural Organisation Society, limited for the year ending 30th June 1910, p. 32.

societies bill¹³⁷ was the only legislative support that the Raiffeisen societies needed as he felt that the Raiffeisen banks needed the trading powers to become self-sustainable.¹³⁸ When asked what he would do if the bill did not become law, G. Russell stated that preference would be given to the Industrial and Provident Societies Acts.¹³⁹ The bill was first introduced in the House of Lords, the upper house of the British parliament, in 1910 by the Earl of Shaftsbury, the chairman of the Agricultural Organisation Society (AOS).¹⁴⁰ The bill was passed in the Lords and sent down to the Commons, the lower house of the British parliament, in 1911,¹⁴¹ but it appears as though the Bill was ignored in the Commons.¹⁴² Perhaps an explanation of this can be found in the constitutional crisis that the UK faced at the time.

Legislative constraints prevented the adoption of key institutional structures such as trading powers and federation, so the question that must be asked is: if the Raiffeisen societies could have been registered as Industrial and Provident Societies. The key distinction between the Industrial and Provident Societies Act and the Friend Societies Act was unlimited liability, so what was meant by it? Henry Wolff maintained that it was not to be confused with unlimited liability associated with the City of Glasgow Bank which crashed in 1878, but that the members actually limited the amount for which they could be held liable.¹⁴³ When the IAOS set up a Raiffeisen co-operative one of the first things they did was vote to limit the borrowing powers of the society to a fixed amount.¹⁴⁴ From some archival source material this seems to have been common practice. For example at the A.G.M of the Corrigan Agricultural Bank in 1914 it was voted to limit the borrowing power of the society at £250, but

¹³⁷ George Russell gave a copy of the thrift and credit societies bill to the committee: ‘Appendix 23: Thrift and Credit Societies Bill’, *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, p. 559. [Cd. 7376], H.C. 1914 xiii, 431.

¹³⁸ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1885, p. 61. [Cd. 7376], H.C. 1914 xiii, 431.

¹³⁹ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1919, p. 68. [Cd. 7376], H.C. 1914 xiii, 431.

¹⁴⁰ The AOS was the English version of the IAOS. It was established after the IAOS.

¹⁴¹ *Hansard 5 (Commons)*, xxxii (29 November 1911), p. 384.

¹⁴² *Return of the Number of Public Bills, distinguishing Government from other Bills, introduced into this House, or brought from the House of Lords, showing the Number which received the Royal Assent; the Number which were Passed by this House, but not by the House of Lords; the Number Passed by the House of Lords, but not by this House; and distinguishing the Stages at which such Bills as did not receive the Royal Assent were Dropped or Postponed and Rejected in either House of Parliament (in continuation of No. (0.123) of 1909)*. (0.205) H.C. 1911, lxi.69.

¹⁴³ Henry W. Wolff, *People’s banks: a record of social and economic success* (1st edition, London, 1893), p. 86.

¹⁴⁴ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1897, p. 63. [Cd. 7376], H.C. 1914 xiii, 431.

then this was subsequently increased to £300 at the Banks 1915 A.G.M.¹⁴⁵ How the IAOS practiced ‘unlimited liability’ begs the question why the IAOS did not recommend the Industrial and Provident Societies Acts as, in the words of G. Russell, ‘to call it unlimited liability is a mistake.’¹⁴⁶ Unlimited liability may have been a factor that inhibited the adoption of Raiffeisen societies. As Plunkett noted:

The farmers are anxious to have these agricultural banks [Schulze-Delitzsch limited liability banks], but there they object to the unlimited liability, and quite rightly, because it would mean, until the system was better understood, that the “have-nots” would be leaning upon the “haves.”¹⁴⁷

Evidence from the IAOS annual reports also shows that they were willing to forsake unlimited liability in the case of co-operative creameries and agricultural trading societies that offered credit facilities.¹⁴⁸ It may be argued that creameries and agricultural societies advancing loans is not immediately relevant to the Raiffeisen system, but if co-operative societies were able to advance credit to their own members it would have undermined the need for a distinct credit branch within the co-operative movement.

Patrick Bolger has claimed that some offices of the Raiffeisen societies were actually located within a co-operative creamery.¹⁴⁹ There are a few notable cases where Raiffeisen societies were located next to creameries, for example one of the registered Raiffeisen societies was called the ‘Kilrea Dairy.’¹⁵⁰ Archival source material also shows that there a link between the established co-operatives and the Raiffeisen societies. In many cases the surviving correspondence from credit co-operatives was written on stationery with headings of the associated dairy co-operative, as in the case of the Ballymoyer credit co-operative whose letter heading stated ‘the Whitecross agricultural and dairy co-operative.’¹⁵¹ This was not coincidental as the IAOS bank organisers report for 1905 stated that the Ballymoyer Credit Society worked in conjunction with the Whitecross creamery and that loan

¹⁴⁵ ‘IAOS Agricultural Bank Organisers report’, 23 November 1914 and ‘J. Moore [IAOS Bank organiser] report from A.G.M. of the Corrigan Agricultural Bank,’ 12 November 1915 (*N.A.I.*, 1088/280/1, Corrigan Agricultural Bank).

¹⁴⁶ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1897, p. 63. [Cd. 7376], H.C. 1914 xiii, 431.

¹⁴⁷ *Report from the Select Committee on money lending*, paragraph 2089, p. 108.

¹⁴⁸ IAOS annual report 1909, pp 9-10.

¹⁴⁹ Pat Bolger, ‘The Congested Districts Board and the co-ops in Donegal’ in William Nolan, Liam Ronayne and Mairead Dunlevy (eds), *Donegal: history and society* (Dublin, 1995), pp 660-661.

¹⁵⁰ IAOS 1901.

¹⁵¹ For example see: ‘Letter from J. McDermott[manager Ballymoyer Credit society] to IAOS secretary,’ 15 June 1910 (*N.A.I.*, 1088/79/1, Ballymoyer Credit Society, Whitecross, Armagh).

repayments were made in both milk and cash.¹⁵² The Columbkille Credit Society, which IAOS regarded as the most successful proponent of Raiffeisenism, was also associated with a Creamery. The Columbkille society also used stationery with a heading in the name of the co-operative creamery. This led to confusion in 1914 when they tried to amend some of their rules. They had sent a letter to the IAOS Secretary, R.A. Anderson, asking for the necessary forms to amend their rules, but because of the paper heading R.A. Anderson sent them the forms for an Industrial and Provident Society rather than for a Friendly Society. The Columbkille society was forced to resubmit its amendment based on this fault, which is also an indication of the high level of bureaucracy associated with co-operation. In a subsequent correspondence, R. A. Anderson suggested that:

... apart from the fact that the mistake in this case arose in the manner I have indicated [that the society was confused with the creamery] it is important that any correspondence made in reference to the bank should be carried out on paper headed – Columbkille Credit Society. Failure to do this might involve the society in a prosecution as it is laid down in the act itself that this must be done.¹⁵³

The Columbkille society was an outlier in that it was one of the few Raiffeisen societies that possessed deposits. But these deposits were invested in the creamery in Columbkille.¹⁵⁴

The case of the agricultural societies is more relevant to the Raiffeisen banks as the agricultural societies were trading societies similar to those associated with the German Raiffeisen movement. Initially they mainly traded manure and seeds and they also gave credit to members.¹⁵⁵ In the 1909 annual report the IAOS stated that:

It has been suggested that these societies might, with great benefit, amend their rules so as to be in a position to make loans to their members for productive purposes in the same way that the credit banks now make advances. Thus, the agricultural society would fulfil the dual function of a source of supply of agricultural requisites and a means whereby farmers needing capital could procure it at a reasonable rate.¹⁵⁶

This was continually suggested in subsequent reports, they believed that the agricultural societies were unprofitable as stand alone institutions and would have been better served providing both services. This was also the case for many of the Raiffeisen banks. The number of agricultural societies experienced a surge in growth

¹⁵² 'IAOS Bank organisers report,' 12 December 1905 (*N.A.I.*, 1088/79/1, Ballymoyer Credit Society, Whitecross, Armagh).

¹⁵³ 'Letter IAOS secretary to Thomas C. Keohane [Secretary of the Columbkille Credit Society], 24 August 1914 (*N.A.I.*, 1088/253a/2, Columbkille Credit Society)

¹⁵⁴ IAOS 1920, pp 17-18.

¹⁵⁵ *Ibid.*, p. 10.

¹⁵⁶ *Ibid.*, p. 10.

in years following the outbreak of the First World War. This was due to the fact that they became general co-operative stores selling more goods and offering to rent machinery and they also provided members with credit. The question then must be asked, why, if they were willing to allow limited liability co-operatives to offer credit services, could they not have encourage the Raiffeisen banks to operate as limited liability operations? Or was there even a need for Raiffeisen banks?

4.2 Co-operative Federation

One of the major drawbacks of the Raiffeisen co-operatives in Ireland was the lack of co-operation between individual co-operatives to form federated bodies. This lack of inter-co-operative co-operation was not confined to the Raiffeisen societies. Breathnach observed that the ‘dairy co-operatives also remained largely isolated units, showing no tendency to form the local, regional and national alliances which were a key factor in the success of the Danish co-operative system.’¹⁵⁷ But in terms of Raiffeisen development federation was a key factor. M. L. Darling observed that in Germany:

When a village society is formed, it is at once affiliated to three co-operative organisations, to a central bank for finance, an agricultural wholesale society for supplies, and to the local provincial union for audit, inspection and control.¹⁵⁸

Although legally constrained as friendly societies from establishing the agricultural wholesale federations or central banks, there were no such restrictions on the formation of audit unions. So why did the Irish Raiffeisen societies not form audit unions? The absence of a federated auditing service in Ireland was due to the failure of Raiffeisen societies to co-operate with each other both at a regional and national level. The audit unions provided the Raiffeisen societies with an important service, not only in auditing accounts but also by ensuring that the co-operative principles were maintained. On the spot auditing services could be beneficial and used as a teaching tool to ensure that the credit co-operatives were able to function. The importance of auditing was more as a teaching tool, because many members of Raiffeisen societies had no prior banking experience. Auditing services in Ireland were provided by the IAOS, but audits took place in Dublin and not in the societies

¹⁵⁷ Proinnsias Breathnach, *The diffusion of the co-operative creamery system in Ireland, 1889-1920: a spatial analysis*, NUI Maynooth Department of Geography, PhD thesis, August 2006, p. 4.

¹⁵⁸ M. L. Darling, *Some aspects of co-operation in Germany, Italy and Ireland* (Lahore, 1922), paragraph 24, p. 36.

themselves. The IAOS subsidised the annual audit of all Raiffeisen societies, but as their numbers grew the IAOS began offering its services to the more successful societies. The services provided by the IAOS were inadequate; evidence of this is shown by the following passage from the 1906 annual report:

There were some inevitable delays in the auditing of the accounts of the Credit Societies in the Spring of this year, owing to the large number of books sent in the Spring of this year, owing to the large number of books sent up simultaneously, some of which were not fully written up, and required a good deal of time to put right. It is hoped that arrangements can be put in force next year which will obviate these delays, and enable the audit staff to deal with the books without the congestion occurring which has marked this and some previous years.¹⁵⁹

The audit department of the IAOS conducted annual audits of the accounts of the Raiffeisen societies, but these were costly and the Raiffeisen societies did not contribute to the cost of these audits.¹⁶⁰ There was an over reliance on the IAOS for auditing services, and as the co-operatives were not actually contributing to the services the IAOS was making losses on the service. The IAOS began curtailing its auditing services to the Raiffeisen societies as a result of them being loss making activities. The existing Raiffeisen societies did not have an alternative auditing scheme with which to replace the increasing apathy of the IAOS towards the Raiffeisen system. Many societies were unable to afford annual audits from private accountants. The IAOS auditing services declined after the withdrawal of a government subsidy in 1907 and the IAOS neglected to audit the accounts of the surviving Raiffeisen banks in the 1920s choosing instead to focus on the expanding agricultural societies.¹⁶¹ It was stated that the trading co-operatives were more important to the IAOS as they generated more income in the form of affiliation fees, and as a result pro rata government grants. The IAOS stated that the Raiffeisen societies:

Have been of necessity passed over by the IAOS in favour of trading co-operation, from which alone could the Society derive the income from affiliation fees and societies subscriptions that for many years formed the basis of its claim for a grant from the State. If only for this reason is it desirable that State aid in future should take the form of a "block" grant. Obligated to spend the income obtained from trading societies and the added State subvention, upon specified services to those societies, funds could not be found for the educational propaganda, inspection etc of backward, remote and neglected credit societies, an expensive service, and one to which, as they do not trade are not profit-making bodies, they cannot themselves adequately contribute.¹⁶²

¹⁵⁹ IAOS annual report 1906, p. 10.

¹⁶⁰ IAOS annual report, 1911, p. 3.

¹⁶¹ IAOS annual report, 1924, pp 17-18.

¹⁶²Ibid, pp 17-18.

The Raiffeisen societies would have been better served had a federated body formed, but the paternalistic treatment of the IAOS prevented any such movement emerging.

The formation of central banks was also hindered by legal constraints, but the actions of the banks themselves do not show signs that there was any efforts at federation. Central banks were effectively clearing houses where co-operatives with surplus deposits could transfer these surpluses to other credit co-operatives with excess demand. This system of central banks was a prominent feature of most forms of credit co-operation. The Raiffeisen union in Germany established many central banks in different regions, yet the Irish system never developed an effective system.

The history of the attempts to establish a central bank for the Raiffeisen societies in Ireland is quite interesting. There were isolated incidents of local federation, most notably in Wexford where there was co-operation between a number of societies.¹⁶³ But this kind of federation was a local concern and was limited to Wexford, where a number of societies were actually limited liability credit co-operatives. Elsewhere federation was an uncommon occurrence.

There were numerous calls for the formation of a national co-operative central bank in the IAOS annual reports. There was a call for the formation of a national central bank in the IAOS report for 1901, the reason for this being the hesitant stance taken by the joint stock banks towards the co-operative movement. The IAOS saw a central bank as the solution to the financial problems of the co-operative movement as a whole, not just the Raiffeisen co-operatives.¹⁶⁴ But, as was previously stated, the establishment of a central bank seems to have been used as a veiled threat to the joint stock banks to co-operate with the IAOS and its affiliated societies. In the 1901 annual report the IAOS laid out a list of complaints against the joint stock banks in Ireland.¹⁶⁵ When the joint stock banks overcame their hesitancy in dealing with co-operative societies, as a result of negotiations with the IAOS,¹⁶⁶ the calls for the creation of a central bank were not as vociferous. The following year the IAOS believed that a federation of Raiffeisen banks was premature.¹⁶⁷

The 1902 annual report of the IAOS note that as Raiffeisen societies could obtain credit from the joint stock banks at '4%, which is a reasonable rate and as low

¹⁶³ IAOS annual report, 1901, p. 10.

¹⁶⁴ Ibid, p. 10.

¹⁶⁵ Ibid, pp 11-13.

¹⁶⁶ IAOS annual report 1904, p. 27.

¹⁶⁷ IAOS annual report 1902, pp 14-15.

as could be expected,¹⁶⁸ that federation was ‘not a matter needing any very pressing consideration.’¹⁶⁹ In the 1904 report the IAOS stated that a new rule had been passed which permitted credit societies to lend to one another and that this rule would ‘be a first step towards a more systematic organisation of agricultural credit by general co-operation among the societies.’¹⁷⁰ There was no further mention of establishing a central bank in the IAOS annual reports until the annual general meeting in 1909 where there was a call for the establishment of a co-operative central bank. But the call for a central bank was not a call for the federation of Raiffeisen societies, but rather a call for ‘the federation of all the co-operative societies of Ireland for the establishment of a co-operative bank for Ireland, or one for each province’.¹⁷¹ A Central Co-operative Credit Society (CCCS) was established in 1913 and its role outlined in the 1913 report. The IAOS stated that the CCCS:

....can act as a clearing house in collecting, from societies which have surplus deposits, sums which they may wish to dispose of and which the CCCS can lend out to other societies in need of additional loan capital. It can also – and this should become one of its most important functions – give attention to the societies with which it may have dealings, either directly or through the machinery for the inspection of the societies now started by the IAOS, or in both ways.¹⁷²

The CCCS was a failure, in its duration it only made 5 loans to credit co-operatives and they were made in 1914, no other business was transacted between then and its cessation, which was continually threatened every year from 1916 onwards.¹⁷³

The committee on agricultural credit was unsupportive of the formation of a central bank for the credit co-operatives. It was their belief that the functions performed by the joint stock banks were adequate and that a central bank was superfluous to the needs of the credit co-operatives. Arguably such a system of central banks was not required in Ireland as the Raiffeisen societies did not make a determined effort to mobilise savings. The Societies purposely limited the amount of deposits to the amount of business that they transacted. From the archival sources it appears as though there were a small number of depositors, but with a large average deposit size. George Russell’s opinion was that the Raiffeisen societies should stop

¹⁶⁸ Ibid, p. 15.

¹⁶⁹ Ibid, p. 15.

¹⁷⁰ IAOS Annual report 1904, p. 19

¹⁷¹ IAOS annual report 1909, p. 63.

¹⁷² IAOS annual report 1913, p. 21.

¹⁷³ IAOS annual reports, 1913-1925.

taking deposits if they could not use them.¹⁷⁴ As this seems to have been the policy of the IAOS, then there was definitely no need for a central bank. Yet, as evidence to the committee on agricultural credit showed, there were credit co-operatives who had surplus deposits. These surpluses were placed in accounts in the PSOB or in accounts in joint stock banks.¹⁷⁵ These funds could have been redistributed to other credit co-operatives had there been a central institution able to perform such a task.

Also a central bank, or some kind of central agency, could overcome the localism of the movement that greater awareness and confidence could be felt in the system. With a national identity it may have been possible to attract deposits. The POSB had such national characteristics which were lacking in other localised savings institutions. But the CCCS was not a federation of the existing Raiffeisen societies, it was a creation imposed on the system by the IAOS. Without the cooperation of the all societies, and members of these societies, the central bank could not feasibly work. Smith-Gordon and Staples saw the potential benefits that a central co-operative bank could give. They stated that:

In Ireland the Post Office Savings Banks hold deposits to the amount of £18,000,000 and the long term deposits in the joint stock banks amount to £65,000,000. A great proportion of this money is derived from agricultural sources, but most of it leaves the country altogether. If a central co-operative bank existed which was able to attract even one per cent. of this money, the lack of capital from which the movement suffers could be remedied at once, even if the joint-stock banks were to some extent alienated.¹⁷⁶

Perhaps they were too optimistic as they saw the central bank as a means to finance the co-operative movement as a whole, rather than just the credit co-operatives. When Paul Gregan, the IAOS bank organiser, was asked if he thought that there was a financial need for a central bank, he said he did not think so. But when asked why he thought a central bank should be established he said that ‘I want to bring the co-operative movement together.’¹⁷⁷

Conclusion

¹⁷⁴ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1912, p. 63. [Cd. 7376], H.C. 1914 xiii, 431.

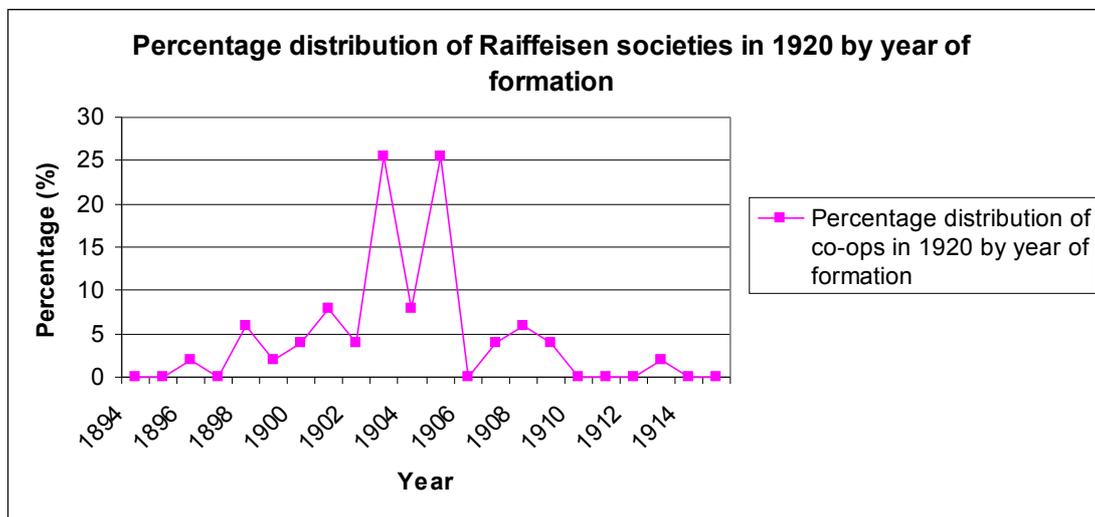
¹⁷⁵ Report of the departmental committee on agricultural credit in Ireland, H. C. 1914, [Cd7375], paragraph 432, p. 184.

¹⁷⁶ Lionel Smith-Gordon and Laurence C. Staples, *Rural reconstruction in Ireland: a record of co-operative organisation* (Westminster, 1917), p. 149.

¹⁷⁷ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, paragraph 1606, p. 50. [Cd. 7376], H.C. 1914 xiii, 431.

As was stated in the introduction, at their peak, there were 268 Raiffeisen societies, but after 1914 the numbers continued to decrease. The Raiffeisen societies were introduced in Ireland by the IAOS in 1894 and were a top-down social movement. The societies had an ephemeral existence despite the resources devoted to them in the early 1900s. The Raiffeisen societies never mobilised savings to any great extent, and were mainly funded by concessional loans from government bodies. Not all societies failed in 1907 when there was a change in leadership of the government bodies dispersing concessional loans, but decline set in after 1914. In 1920 there were 51 active Raiffeisen societies that were active and figure 10 shows the distribution of these societies by year of formation.

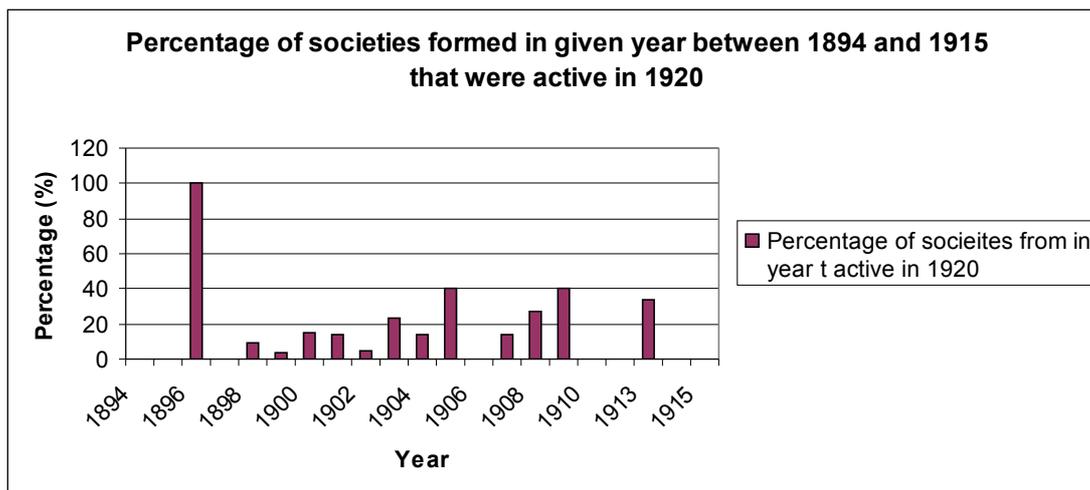
Figure 10



Source: IAOS annual report 1921.

It would be interesting to see what set these societies apart from the rest. The most logical answer is that these were the best managed societies, and that they were the ones that had access to alternative sources of capital.

Figure 11



Source: IAOS annual reports, 1902-1920

Figure 11 shows the portion of the societies formed in a given year in the period 1894-1915 that were active in 1920. What figure 11 shows is that, apart from the outlier in 1896, there was a very low survival rate of these societies. Given that all societies formed after 1900 faced similar economic conditions, this is something to suggest that the key difference was access to capital in the form of deposits and management.

Given the importance of Henry Wolff in establishing credit co-operation in Ireland it is only fair to give him a voice in the conclusion of this paper:

Co-operative Credit Societies have certainly conquered for themselves an honoured place among the useful institutions established in Ireland, upon which King Edward on his last visit to the country bestowed high and merited praise. If for the moment their splendour is a little obscured by the more vigorous agitation in progress for the formation of distributive stores, to free the small farmer from the oppressive yoke of the grasping gombeen man – whom the Department appears to favour – that is, of course, to be accounted for, in the first place by the fact that the need of stores has become acutely more urgent, and that its urgency has at last been realized by the farming community; and, in the second, by the circumstance that up to a certain point the banks formed, as is proper among impecunious people, upon the Raiffeisen principle – without shares and with unlimited liability – have done their work, placing the whilom struggling farmer on firmer ground, where his immediate want of cash is not as present as it was. He for the moment needs stores more than banks and cannot well fight two great battles at the same time. The temporary obscuring of the banks by no means signifies that credit societies are done with. Their utility has been too well ascertained and recognised for that. Only it seems likely that, being now in a more prosperous position, Irish farmers will be able to form some of their new banks on the share and limited liability system.¹⁷⁸

Elsewhere in the same text Wolff used the Irish case as an example of the dangers of ‘assisted’ co-operation.¹⁷⁹ So what we can take from Henry Wolff’s perspective is that

¹⁷⁸ Henry W. Wolff, *People’s Banks: a record of social and economic success* (4th edition, London, 1919), pp 428-429.

¹⁷⁹ *Ibid*, p. 399.

the Raiffeisen societies were not a failure, but that there was a greater need for co-operative societies and therefore they were sidelined for the foreseeable future. This is an interesting observation given Wolff's role in writing the 'Thrift and Credit Societies' bill. Wolff's argument had always been that Raiffeisen societies could tackle gombeenism, the thrift and credit societies bill aimed to arm Raiffeisen societies with trading powers. Wolff stated that in evidence to the committee on agricultural credit in Ireland that the trading powers for Raiffeisen societies were not demanded in England, but were demand in Ireland.¹⁸⁰ The citation from Wolff above then seems to suggest that he reckons that co-operative stores are the way to address gombeenism. Given that gombeenism was the initial 'problem' that he suggested Raiffeisen societies would combat, maybe this is a reflection that they were the wrong instrument to achieve this goal. Or perhaps there was a greater demand for co-operative stores?

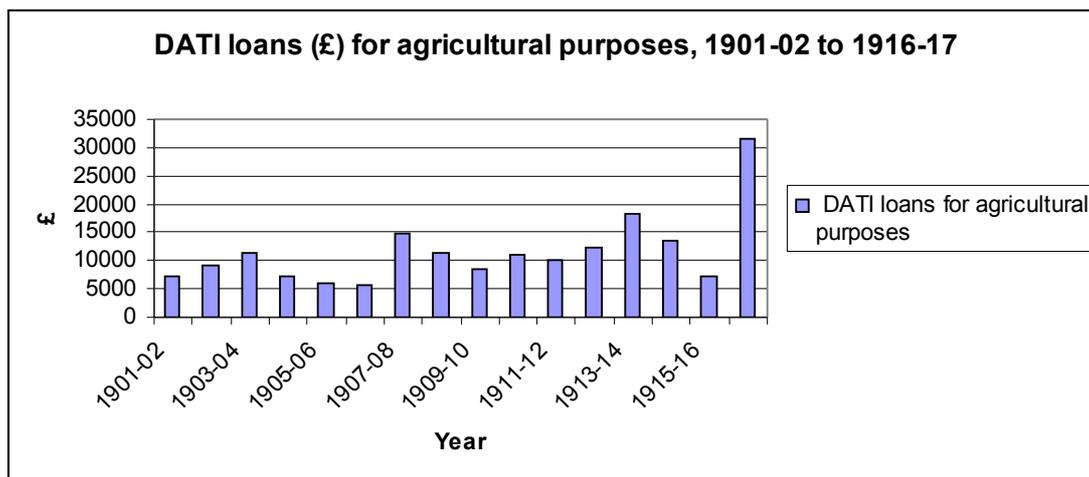
The Raiffeisen system that was introduced in the period 1894 to 1915 was unsuccessful, but this did not stop the IAOS and the Free State DATI trying the same lending methodology once more. A new strain of Raiffeisen societies, 'fluke societies', were introduced in the 1920s to distribute a loan of £100,000 from the DATI for the purpose of replacing stock loss caused by an outbreak of liver fluke.¹⁸¹ These were not necessarily new, as loans were given to societies that had previously existed, but the terms of the loan were that they were only to be given to societies in the south of Ireland. The life cycle of these institutions was identical to the experience of the earlier Raiffeisen societies as they did not build up a deposit base. When loans were recalled or repaid the societies ceased to operate. Some also experienced similar problems to the earlier societies, namely loan renewals and unpunctual repayment of loans. But the case of the 'fluke societies' makes us question what the people thought these societies were used for. Were they to become bona fide financial institutions, or were they a more efficient means of distributing state aid? Both the DATI and the CDB offered short and medium term loan programmes in the early twentieth century,¹⁸² and possibly the large number of loan applications may have induced them to outsource the loan distribution to the Raiffeisen societies.

Figure 12

¹⁸⁰ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 7087, p. 204. [Cd. 7376], H.C. 1914 xiii, 431.

¹⁸¹ IAOS annual report 1924, pp 17-18.

¹⁸² A copy of the terms of CDB loans is shown in appendix 3.



Sources: Annual reports of the DATI, 1901 – 1917.

The DATI gave loans for a number of purposes, the amounts are shown in figure 12, but for small term loans the existing government infrastructure would not have made such loans feasible and hence why the Raiffeisen societies were used to distribute funds for short term loans. Effectively the DATI outsourced the business of small loans.

The Raiffeisen societies also faced intense competition for deposits from the Government backed POSB, the TSBs and the joint stock banks. The short term nature of the majority of the Raiffeisen societies suggests that they were never able to threaten the existing financial institutions. The availability of concessional government loans meant that the Raiffeisen societies had no incentive to mobilise savings.

The fact that Raiffeisen societies did not establish themselves as long term financial institutions led commentators to believe that co-operative credit would never work in the South of Ireland. This view was changed however by the sustainable adoption of credit unionism in Ireland. The credit unionists have acknowledged the fact that they shared the same principles as the early Raiffeisen societies. For example A. T. Culloty wrote that ‘these agricultural credit societies, or “village banks” as they became known, were modelled on the Raiffeisen credit system which is the system on which the credit union is based.’¹⁸³ Credit Unions were first established in Canada by Alphonse Desjardins, and subsequently diffused in the United States. Ironically, given the role of Henry Wolff in advising the IAOS, it was claimed by Wolff that his friend

¹⁸³ A. T. Culloty, *Nora Herlihy: Irish credit union pioneer* (Dublin, 1990), p. 51.

Desjardins had learnt the principle of co-operative banking from reading his book.¹⁸⁴ But Wolff maintained that the system of credit unions was not actually Raiffeisen in nature, but that it was in fact variant of the Schulze-Delitzsch branch of credit co-operation.¹⁸⁵ That is that credit unions differed from Raiffeisen societies in that members were required to purchase shares.

So given that there is a link between credit unionism and Raiffeisenism, what caused the successful adoption of credit unionism? The credit union movement was propagated by a group of enthusiasts who did not confine their activities to small areas of the country, as was the initial policy of the IAOS. There was greater support for credit unions both within communities and from the clergy, with the Rev Lucey being an example of this clerical support. Credit unions when first introduced were also constrained by the existing legal structure, but successful lobbying overcame these constraints and a designated credit union act was formulated. Coincidentally this act allowed credit unions to have the benefit of the Industrial and Provident societies act that were discussed above.¹⁸⁶ The credit unions were limited liability societies and their main source of capital came from member savings. Noticeably the credit unions were not started with the promise of concessional loans from government bodies.

Admittedly shifts in social attitudes enabled the credit unions to develop, most noticeably the role of the clergy in the movement, but the concentrated emphasis on credit unions and not a general emphasis on multiple forms of co-operation gave potential adaptors better information. It seems that first hand accounts from foreign credit unions helped to spread information and induce adoption. Credit union members from the United States and Canada gave media interviews and speeches about the benefits of membership in a credit union. So credit unionism was not an abstract concept. The credit union movement was also broader; it encompassed different socio-economic groups. This is in contrast to the IAOS who specifically targeted the Raiffeisen societies at low-income farmers/labourers in the west of Ireland. The credit union movement was also both urban and rural in outlook and there was a greater dispersion of societies across the island, something which the Raiffeisen societies never achieved. In the words of John Hume 'it is a matter of fact

¹⁸⁴ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 7081, p. 203. [Cd. 7376], H.C. 1914 xiii, 431.

¹⁸⁵ *Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index*, question 7081, p. 203. [Cd. 7376], H.C. 1914 xiii, 431.

¹⁸⁶ Credit Union Act 1966, 19/1966.

to describe the credit union movement as the most successful co-operative movement in the history of Ireland.¹⁸⁷

Horace Plunkett when discussing a paper on Agricultural banks in 1896 said that it was ‘his own experience in introducing co-operative enterprises of various kinds in Ireland that, although imitation from the continent was extremely helpful, at the same time exact and servile imitation was in practice most misleading and tended to barren results.’¹⁸⁸ From the experience of the Raiffeisen societies in Ireland it would seem as though he did not heed his own warning.

¹⁸⁷ John Hume ‘foreword’ in A. T. Culloty, *Nora Herlihy: Irish credit union pioneer* (Dublin, 1990), p. xiii.

¹⁸⁸ R. A. Yerburch, ‘Agricultural Credit Banks’ in *Journal of the Royal Statistical Society*, lix, no. 3 (Sept, 1896), pp 481.

Appendix 1: IAOS instructions for guidance of committee and secretary of agricultural banks, c. 1901.¹⁸⁹

1. The secretary should see that all applications for membership are properly filled in by the applicant, and his or her signature witnessed. These forms must be brought before the Committee, and if applicants are admitted, the form must be signed by the Chairman of the Meeting and the Secretary, the forms of application must be carefully preserved by the Secretary, as it may become necessary to prove membership later on. Unless these instructions are carried out the admission will be illegal, and the Society will have no power of legally binding its members by the rules.
2. A copy of the Bank Rules should be given to each member, for which the Committee has power to charge sixpence. The Secretary should, however, be careful always to have on hand some copies of the Rules.
3. It is desirable that a small entrance fee should be charged of either sixpence or one shilling.
4. Before the first General Meeting can be held seven special members who signed the application to have the society registered, and who act as Committee temporarily, must admit applicants for membership who have duly signed the form.
5. If there is another Bank in a neighbouring parish or district it would be desirable to exchange lists of members, so as to prevent anyone having borrowing powers in two Societies. If lists of sureties and borrowers were also exchanged it would tend to prevent the making of loans not properly secured
6. At the first General Meeting the order of business shall be as follows. –
 - (a) Election of permanent committee
 - (b) Ratifying appointment of Trustees
 - (c) Election of Treasurer
 - (d) Election of Auditors
 - (e) Other offices, if any.
 - (f) The members shall then pass a resolution empowering the Committee to receive deposits and borrow money on their behalf for the purposes of the society. The resolution shall limit the amount up to which the Committee may in this way pledge the liability of the Society until the next General Meeting is held. Unless this is done the Committee will have no legal power to receive money for the purposes of the society
 - (g) Any other general business of the society
7. The secretary of the society shall keep in the Minute Book a record of the business done at each meeting of the Committee or of the Society. The Minutes shall record –
 - (a) Date of meeting
 - (b) Names of members of Committee present
 - (c) Names of members admitted to Society at meeting
 - (d) List of loans granted or refused

¹⁸⁹ *Seventh report of the Irish Agricultural Organisation Society, Limited*, for year ending 31st December, 1901, [Leaflet no. 2 b], pp 70-72.

- (e) Any other business of which it is desirable a record should be kept, such as resolutions, amendments thereto, or notices of resolutions, any action taken with regard to any member, etc.

The Secretary shall read the minutes of the preceding meeting at each meeting of the Committee, and they shall be signed by whoever may act as Chairman for the time. The minutes of a general meeting can only be affirmed at the next general meeting. It is most desirable that the minutes should be correctly entered, as they furnish a record of the authority under which the Committee or Secretary may act.

8. Before the Committee can take advantage of the resolution of the general meeting of members granting authority to borrow, they must pass a resolution nominating two members of Committee to act with the Secretary in executing any bond or security for repayment of money if borrowed from any public body or corporation. They must also pass a resolution authorising the Secretary to affix the seal of the Society to any such documents.
9. The form of bond for repayment of loan supplied by the I.A.O.S. can be used for sums under £5 without a stamp. As the stamp duty on this form for sums over £5 would exceed that required on the ordinary Promissory Note, it is better to use the latter for any sums exceeding that amount. The Secretary should be careful to see that all such forms are properly filled up, witnessed, and dated. It is not legal to date or sign business documents on Sunday.
10. Two sureties are necessary in every case where a loan is granted. It is undesirable to accept as security property or land, as it would be difficult and costly to realise. Committees should be on their guard against cross sureties, i.e. A. and B. becoming security for C., C and B. for A., and A. and C. for B, as in that case no real security is offered. A borrower who is found to have divided his loan with his sureties is breaking his contract with the Society, and the loan committee have power to recall the loan.
11. The Depositor's card, if filled up, is a sufficient receipt for money lodged on deposit. Committees are advised to seek for local deposits in preference to borrowing from the Government or Joint Stock Banks. In case of the deposit being for a large sum, it is desirable to have an agreement or understanding with depositors about the notice required before withdrawal.
12. If renewals of loans are to be entirely deprecated, and they should only be granted upon the most exceptional circumstances. As the borrower was granted the loan for a sufficient time to enable him to make his profit out of the loan before repayment, there is rarely any excuse for prolonging the time.
13. In granting loans the length of time for which loan is asked should be adjusted to the purpose. The custom which prevails in some Societies of lending all loans for the full time allowable, i.e., twelve months is one which should be stopped. Repayment by instalments should be encouraged whenever the profits derivable from the loan come in gradually or when the borrower otherwise sees his way to do this. As interest is charged only on money actually in the borrower's possession, a considerable saving is effected by repayment in instalments.
14. An account should be opened in the nearest Joint Stock Bank, as it is much better to pay loans by cheque than to have the local Treasurer holding the funds. A Treasurer must, however, be appointed, whose duty it will be to lodge all moneys received in the Bank as soon as possible. Two or more members of Committee should be authorised to sign cheques, which should always be counter-signed by the Secretary.

15. The Committee should remember that an annual general meeting is necessary, and it should be summoned at the beginning of every year, as soon as the accounts have been audited.

Appendix 2: Loan use in Raiffeisen Societies.

The following information was taken from Bank organiser reports that were included in the correspondence of the IAOS and the Raiffeisen societies. Unfortunately not all records contain bank organiser reports, neither are the bank organiser reports available for a continuous number of years.

Ballymoyer Credit Society

- 1905- Buying and holding over stock
- 1906 - Purchase of cattle, pigs, seeds and manures
- 1913 - Calves and stock generally
- 1916 – Purchase of livestock and seeds

Source: (*N.A.I.* 1088/79/1, Ballymoyer Credit Society, Whitecross, Co. Armagh)

Columbkille credit society

- 1914 - Purchase of pigs, calves, cows, holding stock, repairing houses
- 1918 - Milch cows, grazing cattle, calves, pigs, horses, hold over stock

Source: (*N.A.I.* 1088/253a/1 and 1088/253a/2, Columbkille credit society)

Corrigan Agricultural Bank

- 1913- Purchase of cattle, “holding over” stock, purchase manures and seeds
- 1914 - Purchase of cattle, calves, pigs, “holding over” stock

Source: (*N.A.I.*, 1088/280/1, Corrigan Agricultural Bank)

Dromintee Agricultural Bank

- 1904 - Purchase seeds and manures
- 1905- Purchase of cattle, sheep, pigs, seeds, manures etc
- 1906 - Stock purchase
- 1907- Keeping over stock, Purchase pigs and cattle
- 1911- Purchase livestock

Source: (*N.A.I.*, 1088/354/1, Dromintee Agricultural Bank)

Killinagh Credit Society

- 1909 - Purchase of stock, “holding over” stock, purchase seed
- 1910 - Purchase of cattle stock, cash payments manures and seeds
- 1911- Purchase of livestock, “holding over” stock, occasionally for manures and seeds
- 1912 - Purchase of cattle, etc calves, pigs, “holding over” stock, purchase of seeds

1913 - Purchase of seeds, manures, cattle, pigs, “holding over” stock
 1914 - Purchase of cattle, pigs, “holding over” stock
 1916 - Purchase of livestock, “holding over” stock
 1917- Purchase of livestock, “holding over” stock until better agricultural conditions prevail

Source: (*N.A.I.*, 1088/552/1, Killanagh credit society, Co. Leitrim)

Killeshandra Agricultural Bank

1900 - purchase of cows, horses, sheep, pigs, etc.
 1905 - Purchase of cows, young stock, seeds

Source: (*N.A.I.*, 1088/549A/1, Killeshandra Agricultural Bank)

Appendix 3: Congested District Board short and medium term loans.¹⁹⁰

Table A3.1 CDB terms for agricultural loans (March, 1903)

Purpose of loan	Amount of loan	Period of repayment	Rate of interest charged	Amount of half-yearly repayment, (incl. interest)
			Per cent	
Credit banks	Advances of £50 as required (no limit fixed)	1 ½ years	3	Interest only
Purchase of Bee-keeping apparatus	Up to £10	1 year	3	Repaid in one sum
Purchase of livestock ^a	£3 to £20	6 months to 5 years	3	10s 6d to £2 3s 4d
Purchase of fencing material	£1 to £25	1 year to 10 years	3	10s 6 d to £1 9s 2d
Purchase of out-office, carts, etc. ^a	£1 to £25	1 year to 5 years	3	10s 6d to £2 14s 5d

a- board's estates

Source: Appendix xxvii, Twelfth report of the congested districts board for Ireland, (1903) [C. 1622], Ir 35182 c 4, p. 96.

¹⁹⁰ Appendix xxvii, *Twelfth report of the Congested Districts Board for Ireland*, p. 96 [Cd.1622], H.C. 1903, lv, 99.

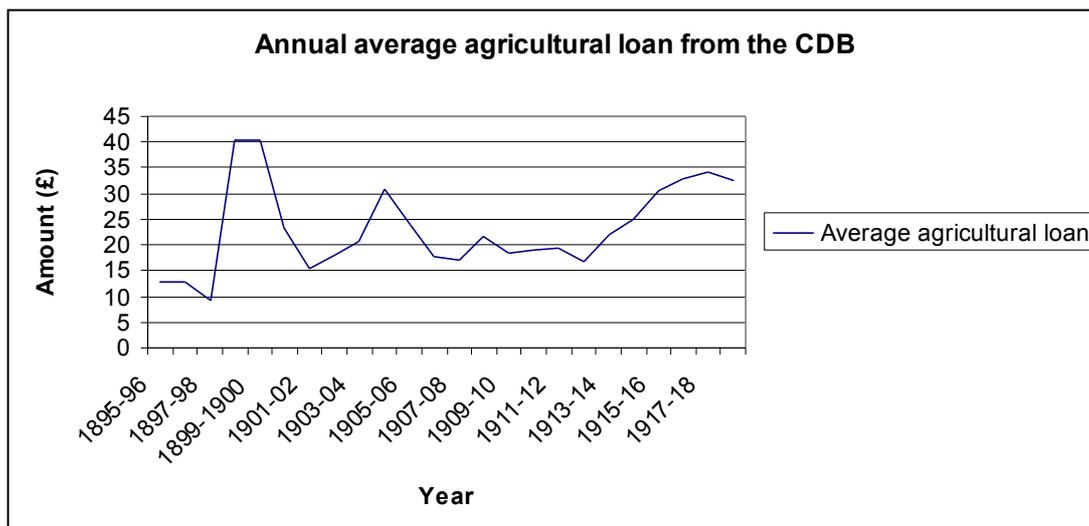


Table A3.2 CDB terms for fishery loans (March, 1903)

Purpose of loan	Amount of loan	Period of repayment	Rate of interest charged	Amount of half-yearly repayment, (incl. interest)
For purchase of boats and fishing gear	£1 to £5	2 years	2 ½	5s 2d to £1 5s 9d
“	£5 to £20	3 years	2 ½	To £3 9s 7d
“	£20 to £50	4 years	2 ½	To £6 12s 2d
“	£50 to £100	5 years	2 ½	To £10 14s
For purchase of large boats	£200 to £500	6 years to 8 years	2 ½	£18 1s to £34 19s 5d

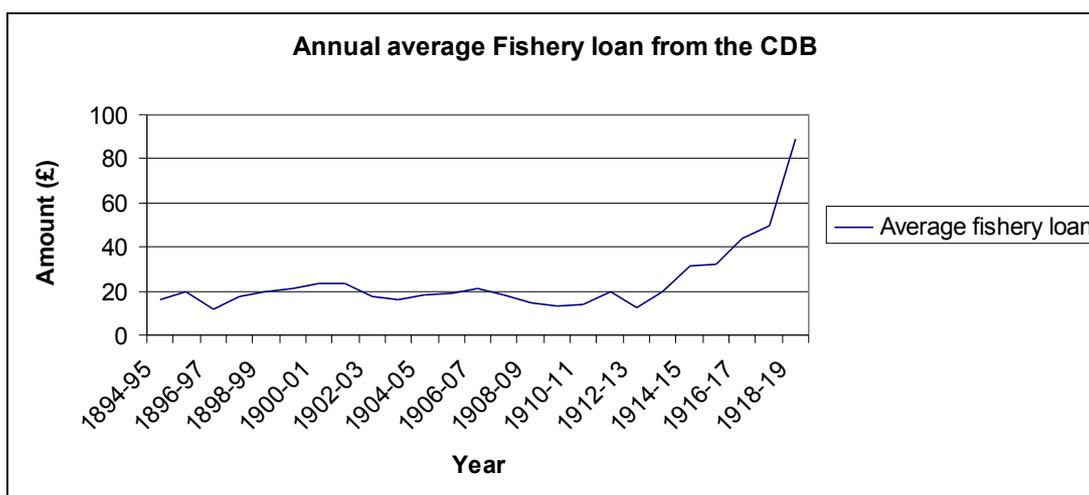
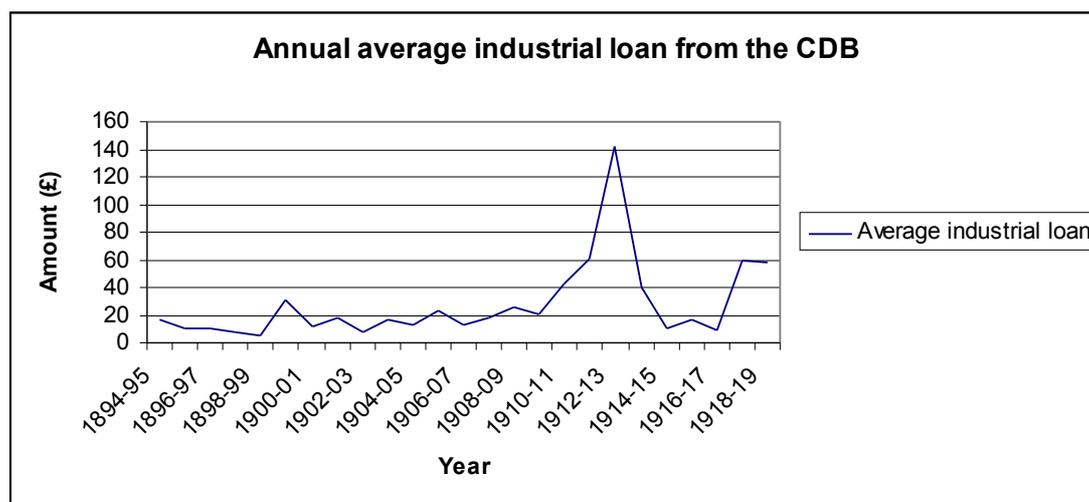


Table A3.3 CDB terms for industrial loans (March, 1903)

Purpose of loan	Amount of loan	Period of repayment	Rate of interest charged	Amount of half-yearly repayment, (incl. interest)
	£		Per cent	£
Purchase of handlooms, knitting machines, etc	£7 10s (average)	3 years	2 ½	£1 6s 1d
Purchase of spinning wheels	£1 5s 6d (average)	2 years	2 ½	6s 7d
Purchase of carpenter's tools	£1	1 ½ years	2 ½	6s 10d
Purchase of materials for barrel making	Up to £100	1 year	2 ½	



References:

Primary source material:

IAOS archive (private), National Archives of Ireland.

Friendly Societies archive, National Archives of Ireland.

Annual Report of the Irish Agricultural Organisation society, Limited, from 31st March, 1899 to 31st Dec., 1900; for year ending 31st December, 1901; Limited for 1902; for eighteen months ending 30th June 1904; for the year ending 30th June, 1905; for the year ending 30th June 1906; for the year ending 30th June, 1907; for the year ending 30th June 1908; for the year ending 1909; for the year ending 30th June, 1910; for the year ending 30th June 1911; for the year ending 30th June 1912; for the year ending 30th June 1913; for the period from 1st July, 1914 to the 31st March, 1915; for the year ending 31st March, 1916; for the year ending 31st March, 1917; for the year ending 31st March, 1918; for the year ending 31st March, 1919; for the year ending 31st March, 1920; for the year ending 31st March, 1921; for the year ending 31st March, 1922; for the year ending 31st March, 1923; for the year ending 31st March, 1924; [There were no reports issued between 1924-31 communication from office]; for the year ending 31st March, 1931; for the year ending 31st March, 1932; for the year ending 31st March, 1933; for the year ending 31st March, 1935; for the year ending 31st March, 1936; for the year ending 31st March, 1941.

Government publications:

Annual reports of the Congested Districts Board

Annual reports of the Department of Agriculture and Technical Instruction

Annual reports of the Registrar of Friendly societies

Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index, [Cd. 7375] & [Cd. 7376], H.C. 1914 xiii,1 & 431.

Reports from Her Majesty's representatives abroad on the Raiffeisen system of co-operative agricultural credit associations. [c. 7896] H.C. 1895, ciii, 313.

Report from the Select Committee on money lending; together with the proceedings of the committee, minutes of evidence, appendix, and index. H.C. 1897 (364), xi, 405.

Report from the Select Committee on Money Lending; together with the proceedings of the committee, minutes of evidence, appendix and index. H.C. 1898 (260), x.

Departmental committee on Agricultural credit in Ireland: Evidence, Appendices, and Index, [Cd. 7375] & [Cd. 7376], H.C. 1914 xiii,1 & 431.

Contemporary publications:

Anderson, R. A., *With Plunkett in Ireland: the co-op organiser's story* (London, 1935, reprinted with foreword by William Ross, Dublin, 1983).

Finlay T. A., 'A fatal inflow of capital' in *The New Ireland Review*, xi, (June, 1899), pp209-219.

Finlay, T. A., 'The usurer in Ireland' in *The New Ireland Review*, i, (July, 1894), pp304- 316.

Gallagher, Patrick, *My story by Paddy the Cope*, introduction by Peadar O'Donnell (London, 1939),

- Plunkett, Horace, *Ireland in the new century* (London, popular edition with epilogue, 1905), p. 187.
- Russell, George W. (AE), *Co-operation and nationality* (Dublin, 1912).
- Wolff, Henry W., *Co-operative banking: its principles and practice* (Westminster, 1907)
- Wolff, Henry William, *Co-operative credit banks; a help alike economic and educational for the labouring and cultivating classes* (London, 1898).
- Wolff, Henry W., *Co-operation in agriculture* (London, 1914).
- Wolff, Henry W., 'People's banks' in *The New Ireland Review*, i , (August, 1894), pp333- 343.
- Wolff, Henry W., *People's banks: a record of social and economic success* (1st edition, London, 1893).
- Wolff, Henry W., *People's banks: a record of social and economic success* (2nd edition, London, 1896).
- Wolff, Henry W., *People's Banks: a record of social and economic success* (4th edition, London, 1919).
- Wolff, Henry W., 'Savings banks at home and abroad' in *Journal of the Royal Statistical Society*, lx, no. 2 (June, 1897), pp 278-359.

Secondary sources:

- Banerjee, Abhijit V., Besley Timothy, Guinnane, Timothy W., 'Thy neighbours keeper: The design of a credit cooperation with theory and a test' in *The Quarterly Journal of Economics*, cix, no.2 (May, 1994), pp 491-515.
- Bolger, Patrick, *The Irish co-operative movement: its history and development*, (Dublin, 1977).
- Breathnach, Proinnsias, *The diffusion of the co-operative creamery system in Ireland, 1889-1920: a spatial analysis* , NUI Maynooth Department of Geography, PhD thesis, August 2006.
- Brown, Lawrence A., *Innovation diffusion: a new perspective* (London, 1981).
- Crotty, Raymond D., *Irish agricultural production: its volume and structure* (Cork, 1966)
- Cullen, L. M., *An economic history of Ireland since 1660* (Dublin, 1972).
- Culloty, A. T., *Nora Herlihy: Irish credit union pioneer* (Dublin, 1990),
- Gosden, P. H. J. H., *Self-help: Voluntary associations in nineteenth-century Britain* (London, 1973).
- Guinnane, Timothy W., 'A failed institutional transplant: Raiffeisen's credit cooperatives in Ireland, 1894-1914' in *Explorations in Economic History*, xxxi (1994), pp 38-61.
- Guinnane, Timothy W., 'A "Friend and Advisor": external auditing and confidence in Germany's credit cooperatives, 1889-1914' in *Business History Review* , lxxvii (Summer 2003), pp 235-264.
- Guinnane, Timothy W., and Henriksen, Ingrid, 'Why were credit cooperatives unimportant in Denmark' in *Scandinavian economic history review*, xlvi, no. 2 (1998), pp 32-54.
- Lee, Joseph, *The modernisation of Irish society* (Dublin, 1973).
- Ó'Gráda, Cormac, *Ireland: a new economic history 1780-1939* (Oxford, 1994).
- Ó'Gráda, Cormac, *Ireland before and after the Famine: explorations in economic history, 1800 -1925* (2nd ed., Manchester, 1993).

Quinn, Anthony P., *Credit unions in Ireland* (2nd ed. , Dublin 1999).
West, Trevor, *Horace Plunkett; cooperation and politics* (Washington D.C., 1986).