‘Fancy That’ School of Co-operative History

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Will Watkins, co-operative thinker, writer and Director of the International Co-operative Alliance (ICA) between 1951 and 1963, once wrote that co-operative organisations such as the ICA:

> “…which lose sight of their past are in danger of losing control of their future. Like a man suffering from amnesia they know neither where they came from nor where they set out to go. The best safeguard against this loss of identity and direction is knowledge of their history”.

While subscribing to this earnest view, I also like more entertaining approaches to history. One of these could perhaps be labelled ‘fancy that’ school and includes unexpected or incongruous developments in history. The Second World War provides some good examples such as Hitler’s surprising declaration of war on the USA after Pearl Harbour, or the German army’s failure to pursue its advantage at Dunkirk to obliterate the remains of British forces.

In co-operative history I think one of the most interesting ‘fancy that’ developments was the introduction of credit unions into the UK after the Second World War which owed much to the British Empire. This came about through the arrival of West Indian immigrants in the late 1940s and early 1950s. As part of the British Empire they had long been familiar with thrift and credit societies based on legislation that had first been passed in India in 1904. The Co-operative Credit Societies Act was intended to encourage and promote thrift and credit societies among India’s urban artisans and rural poor. Its place in history was secured when it became widely copied throughout most of the territories in the British Empire, including the West Indies.

You might well ask this became possible during a period when British imperialism was at its height, and Kipling and Elgar were doing their jingoistic best in literature and music. There is a basic dichotomy between imperialism which is essentially about one nation subjugating the peoples of another territory to exploit them and their natural resources in pursuance of imperial objectives such as trade or security, and co-operation which seeks to foster equality, and self-determination through democratic self-management.

Co-operative development within the British Empire became possible for a number of reasons. One was that the Empire was not monolithic in nature or governance. In the early 1900s its senior policy and decision makers might still be largely aristocratic but they came from the two main political traditions, Tory and Liberal. This meant that they had differing outlooks, particularly in the colonial field. The same held true among members of the Empire’s two main administrative arms, the Indian Civil Service (ICS) and the Colonial Service (CS). Some senior members of the ICS supported ideas of Indian independence. Notable among these was Sir William Wedderburn who is sometimes attributed with being the first to propose co-operative solutions in India; also the prominent national and international co-operator, Hodgson Pratt. Like Wedderburn he had served in the ICS and on retirement in Britain campaigned for Indian independence. In London in the early 1900s, other eminent co-operators such as Sir Horace Plunkett, Henry Wolff and Earl Grey, were busy in introducing co-operative ideas to imperial administrators. They spoke of the progress then being made by thrift and credit societies in Ireland, Italy, and Germany whose experience, they felt, might prove relevant in India.

The need for thrift and credit in India

In the late nineteenth century the Indian economy was still largely rural, peasant based, plagued by recurring famines, and hampered by poverty and debt. The Indian Government set up a number of Famine Commissions. A common feature of their reports was the highlighting of the hold that moneylenders had over peasants and the perniciously high rates of interest they charged. The difficulties these created were made worse by India’s rural banking system which was too limited and largely irrelevant to the needs of peasants. It provided too few rural branches to which they had access and was often unable to lend to them because they had too little collateral to offer. Worse still, the cyclical

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nature of agricultural production required peasants to have money to buy seeds or livestock from which no income could be derived until they had been harvested or reared. Even then, income was uncertain because both processes could be adversely affected by drought or disease.

Indian government

Economic problems could foster social unrest and with memories of the Indian Mutiny of 1857 still fresh in imperial minds, the Indian Government was anxious to avoid this. Turning away from earlier *laissez faire* policies, it became more interventionist in economic and social matters and against such a background India's first co-operative legislation became possible. Even so, it was passed by a government that was very narrowly based. It was quite unlike the British Government at Westminster, or those in the self-governing white settler dominions of Canada, Australia, New Zealand and South Africa which were increasingly based on representative government and a clear separation of powers between legislature, executive and judiciary. By contrast, the Indian Government comprised the Governor-General, or Viceroy, who ruled with the help of an appointed Council, and two regional administrations in Bombay and Madras, each headed by a Governor and Council. The positions of Governor-General, and Governors, were held exclusively by members of the British aristocracy. They and their Councils combined all legislative, executive and judicial functions in India.

Such government could hardly be described as democratic. Nevertheless, it could be benign as illustrated by its decision in 1903 to set up a Commission to explore how thrift and credit co-operatives might help improve Indian conditions. The Commission's findings and recommendations were heavily based on European co-operative experiences, particularly those of the Raiffeisen credit societies in Germany.

The 1904 Act

As a result, the Act following the Commission's work was passed within a British imperial framework, but introduced European, rather than British co-operative forms, although these shared an underlying co-operative philosophy. This could be summed up as investment for service rather than for profit, democratic self-management, and equal rights.

The Indian Act heralded a new kind of co-operative development, one that was initiated by legislation. By contrast, that in Britain had been voluntary among ordinary people and undertaken in advance of any legislation. Subsequent legislation applying to British co-operatives came about in a piecemeal fashion and was largely in response to needs that British co-operators had identified. The first Industrial and Provident Societies Act passed in 1852 was followed by another Act ten years later with minor amending Acts being passed in 1867 and 1871 and a major consolidating Act in 1876. Together these gave “Industrial and Provident societies an independent and almost self-contained code of law” which was strengthened by a further consolidating Act in 1893 and minor amending Acts in 1894 and 1895. In listing these Acts we see that it had taken almost 50 years for British co-operatives to achieve the kind of legislation they wanted. In other words, their development preceded legislation but the reverse occurred in India. As a result, initial legislation there would be far more prescriptive, although it became possible for subsequent Acts to be based on experiences arising from it. The 1904 Act was necessarily based on what imperial administrators thought was necessary rather than on what Indian co-operators wished. As a result, a different dynamic from that which operated in Britain had been created. It heralded a new form of co-operative development promoted by government.

Another contrasting feature was the Indian Act's use of unlimited liability. In Britain the granting of limited liability had added considerably to the success of British consumer co-operatives. Their membership, together with their trading base, could expand because members need not fear that they would become liable for their societies' debts should they fail. Moreover, a growing membership permitted economies of scale which assisted the successful establishment of the two national Wholesale Societies in the 1860s. These brought even stronger economies of scale and benefits for their member co-operatives who could then increase and sustain their patronage dividends and thus encourage even greater loyalty among their co-operative members. Limited liability thus proved an important dynamic in British retail co-operatives.

Elsewhere in Europe, however, experience had shown that where thrift and credit societies were concerned, limited liability among the very poor was not feasible, particularly those engaged in cyclical agriculture production. Delays between expenditure and income meant that peasants had a reduced capacity to save. Being granted limited liability in these circumstances could thus endanger a co-operative's viability. Moreover, the experience of European societies had revealed that unlimited liability could have positive aspects. For example, it seemed to encourage individual thrift. It also fostered mutuality through members knowing each others' strength and weaknesses, as well as their needs. In addition, societies with unlimited liability enhanced their collective probity which became a positive factor when negotiating with potential lenders.

As a result of these European experiences the 1904 Indian Act took a more equivocal position on liability. Distinguishing urban from rural societies, it allowed the former among artisans of limited means to apply for limited liability but prevented those among peasants from doing so.

Yet another departure from British co-operative traditions was the enhanced powers that the Indian Act gave to the Co-operative Registrar. In Britain there was a long tradition of the Registrar constituting the interface between companies, friendly societies and co-operatives and the State. Not surprisingly, British imperial administrators continued that tradition in respect of Indian companies and co-operatives but conferred stronger powers on Indian Registrars than those of their British counterparts.

One reason for this was India's relative lack of development. Even in Britain the tradition, and legal right, of voluntary association, was of relatively recent origin. Only some seventy or eighty years earlier had British co-operators and workers begun to develop their organisational and business skills. In India imperial rule inhibited similar developments and tended, in any event, to discount and disregard indigenous economic and social activities. A further reason for a stronger Registrar in India was the need to prevent money-lenders from gaining control of thrift and credit societies to subvert them to their own purposes. The Indian Act therefore conferred stronger powers of supervision and control.

All in all, the Co-operative Credit Societies Act, India, 1904, meant that Britain who had given the world Rochdale co-operation, now gave it a new imperial co-operative tradition. It was one in which governments operating within the British Empire, took the initiative in promoting co-operatives through legislation based to a considerable extent on that pioneered in India. While this differed in many ways from Britain's voluntary co-operation, it soon spread throughout the Empire. From the British West Indies it returned to Britain in the post-war years where once again, it resumed its voluntary nature.

A remaining question is how on earth did British aristocrats administering the British Empire ever become enamoured of co-operative ideas sufficiently to wish to try to introduce them in India and elsewhere. That, however, is another example of the 'fancy that' school of history.

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