



Neither a borrower or a lender be

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Neither a Borrower Nor a Lender Be

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Joining a co-operative society in the mid nineteenth century was an expensive business. The Rochdale Pioneers Society began in 1844 with each member buying a £1 share — the aim was for members to eventually have five shares, to give the society a good amount of capital. Wages in the textile industries had reduced from the 1820s with the increase in mechanisation (Birchall, 1994, pp. 37-38) and for male workers that £1 share represented the wages for a week or a week and a half of work — for women even more. In addition, would-be members needed to make sure that they were not in debt to their previous shopkeeper.

Once co-operative societies were up and running, membership could be opened up by enabling people to pay one or two shillings towards their share, then to use the dividend payments to build up the rest of the share. Once the £1 was reached, further dividend payments could be withdrawn in a much valued addition to family budgets. George Jacob Holyoake told many stories of what this meant to the members, including one who:

withdrew £5 from her savings in the Store, not so much because she had special occasion for the money, as for the pleasure of having £5 in her possession. She had traded at shops for nearly half a century and she declared it was the first time she had ever had £5 of her own in her hands in her life (Holyoake, 1907, p. 44).

One of the original principles of the Rochdale Pioneers was that of 'cash trading', neither taking nor offering credit. There were very practical reasons for this, including the experience of some of the Rochdale Pioneers of being involved in an earlier society in Rochdale during the 1830s, which "came to grief through extending credit to its members" (Cole, 1944, pp. 69-70).

The Pioneers took any infringement of cash trading as a serious matter. The rules specified:

The officers of this Society shall not in any case, not any pretence, either sell or purchase any article except for ready money. Any officer acting contrary to this law shall be fined 10s, and be disqualified from performing the duties of such office (Holyoake, 1907, p. 134).

The development of the Rochdale Society was steady, limited by the need to accumulate capital, but grow it most certainly did (Birchall, 1994, p. 59).

As societies grew, members began to use their share capital account for their savings, finding their societies to be trustworthy repositories. The Rochdale Society had an influx of new members following the 1849 failure of the Rochdale Savings Bank, set up by mill owners to encourage saving among the working class. The case was discussed in parliament where it was said that the failure had happened despite the fact that "a person of higher character for honour and integrity in the estimation of the whole district than the defaulting manager could not be found" (Hansard, 1850).

As member savings built up, the 'surplus capital problem' as it became known led to co-operative societies needing to decide what to do with the funds building up in share capital accounts. The share capital is, of course, withdrawable by the members, so needed to be safe, but co-operative societies were not intended to be banks and managing committees wanted to find ways of using the money (see for example Jones, 1883). Bricks and mortar provided a good option and societies used the money to build good quality housing for members and well built central premises and branch stores — buildings that could be sold if funds were needed. Investment in other forms of co-operation was another option and many productive co-operatives received capital from neighbouring consumer co-operatives (Jones, 1894).

Credit was not always thought of as a bad thing. From the 1840s, Friedrich Raiffeisen and Schultze Delitsche were organising co-operative credit societies in Germany. These banks

provided a source of funding for farmers and small businesses that otherwise would be reliant on unscrupulous moneylenders and loan sharks. The Irish co-operative movement followed this work, with credit societies providing loans to farmers where traditional banks would find the amounts too small or that the length of the loan did not fit with their lending policies (Doyle, 2019, p. 109).

One great advantage of credit co-operatives is that the members, in understanding how their society is working, gain a greater understanding of finance in general. The aims of these co-operatives include the education of the members (Doyle, 2019, p. 184).

You should go to the valley of the Rhine, where the Raiffeisen Banks have been longest at work and observe to what extent homes have been made habitable and comfortable; how culture has been improved; how machinery has been purchased, and the best manures and feeding stuffs; how the vintner has been enabled to sell his produce for cash at double the former rate of return; how the small peasant can now buy his implements and manures of the best quality at the cheapest wholesale prices (Wolff, 1896, p. 9).

The Author

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