



Wilhelm Kaltenborn

Raiffeisen
Beginning and End

Cover picture left:

Friedrich Wilhelm Raiffeisen and his daughter Amalie, Andrzej Kolpanowicz, Krakow, oil on canvas. 50 x 60 cm, in private ownership

Cover picture right:

Left in civilian clothing, the last Federation Director of the Raiffeisen Organisation, Baron Magnus von Braun as German Agricultural Minister together with, amongst others, Major Pabst (third from the right) who ordered the murders of Rosa Luxemburg und Karl Liebknecht, both with other guests of honour from the "League of Front Soldiers, Steel Helmet" in Berlin in 1932.

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Preface

This work has been written to commemorate the occasion of Friedrich Wilhelm Raiffeisen's birth two hundred years ago. It also, to be more specific, provides an opportunity to counter the hagiography expected to surround this event which is unlikely to reflect the real Raiffeisen, his work, his aims and his legacy. I am quite sure that his antisemitism, his Christian fundamentalism and his paternalistic view of society are unlikely to be mentioned. After 1945, the agricultural cooperative movement suffered from these symptoms to hardly a greater extent than the rest of German society. This makes it even less understandable that the organisations which still bear his name, most prominently the *German Raiffeisen Federation*¹ and the *German Friedrich Wilhelm Raiffeisen Society* have still failed to this day to present a comprehensive and realistic Raiffeisen.

In order to avoid raising unreasonable expectations, I wish to point out that I will also not be presenting a complete portrayal of Raiffeisen. It is rather my intention to show the real Raiffeisen by confronting the popular tide of public opinion. I already made an attempt to do so in my critical appraisal of the real existing German cooperative movement which appeared in 2014 under the title *Illusion and Reality*. It was then that I encountered his antisemitism which I found astonishing because, with the exception of one short yet exculpatory reference (the only one as far as I know) it had never been previously revealed. While preparing for this work, I was particularly surprised by Raiffeisen's questionable originality, and by the development and demise of his organization. It is likely that

my amazement concerning certain insights which I gained from the sources is reflected in some of my formulations.

On the subject of sources, Raiffeisen's documents and his organisation's archives were, as reported by Heinrich Richter and, later, also by Walter Koch, partially destroyed during the Second World War and some also remain undiscovered due to the chaotic situation which existed in the aftermath of the war. Raiffeisen's daughter, Amalie, destroyed the family's correspondence. I assume that I have looked through all of Raiffeisen's publications (with the exception of the 3rd edition of his book and possibly one or another special publication of his lectures). His periodical, the *Agricultural Cooperative Gazette* which was published from 1879 was a particularly rich source, yet it apparently has not been considered in publications dealing with Raiffeisen in the last few decades. It is here that his extended anti-Semitic deliberations can be found. Heinrich Richter's dissertation published in 1966, which is probably the most comprehensive scientific work about Raiffeisen, demonstrates that also those contributions to the periodical which were unattributed (not even bearing initials) were written by Raiffeisen himself.

I have attempted to mention, at least in passing, the historical issues which concerned Raiffeisen, and later, his organisation. These include short references to developments in agriculture and the characteristics of rural life. Furthermore, I have made use of the important contemporary portrayals of Raiffeisen himself (primarily the first source-based biographies) together with descriptions of the rural cooperative movement. Regarding the era of the Weimar Republic, I found the print sources of the Raiffeisen organisation (Federation periodical, business reports, special publications etc.) to be definitive.

I would like to mention Helmut Faust who, in three volumes (1958 - 1977), published the only extensive work on the history of cooperatives. It undoubtedly has its faults, primarily that Faust limits the history of cooperatives to the history of their federations and (its greatest flaw) to the history of the deeds of great men - or those who were thought to be great men. Faust's credo was "men make history!" Women did not really contribute to the history of cooperatives and, if at all, only as members of the supporting cast, such as the role played by Raiffeisen's daughter Amalie. Faust ignores economic relations and developments; he fails to provide figures. Above all, however, he draws a veil over the Nazi era (a period which is especially deserving of interest). In contrast, his commitment and his ability to take a stance are refreshing. I have drawn on him for numerous facts. Faust makes a sufficiently convincing case for the democratic character, or should we rather say, the democratic aspirations of cooperatives. This is exemplified in his attributing the great organizer of rural cooperatives, Wilhelm Haas, with having vigorously supported the democratic development of cooperatives - an approach which Raiffeisen completely failed to take.

It would be gratifying if the Raiffeisen year 2018 were to result in the cobwebs being dusted off Wilhelm Haas's role in the history of cooperatives.

¹ The German original version of all the terms, proper nouns, book titles etc. which are printed in italics can be found in the glossary at the end of this book.

Part A: The Beginning

1. The world surrounding Raiffeisen

a) The political and societal developments in his era²

To begin, the political and societal circumstances and developments in Raiffeisen's era need to be considered briefly. The Congress of Vienna ended its work (and its notorious celebrations) three years before Raiffeisen's birth. It was responsible for the reorganisation of Europe following the Revolutionary and Napoleonic wars. As a result, Raiffeisen's more immediate homeland now belonged to Prussia. The Congress led to a Germany consisting of three dozen individual sovereign states which together comprised a loose *German Confederation*. It lacked a political executive, had no financial autonomy and no military power. It was hamstrung due to the dualism of its two European superpowers - Austria and Prussia. Only few of these German states knew political freedom and, even then, it was severely restricted.

Within the growing bourgeoisie there was a longing for more opportunities for political participation and, above all, for a united Germany. However, all of the movements which repeatedly emerged - for example in the Hambach Festival in 1832 - were suppressed by state police. This was the case up until the year of European revolution, 1848, when the bourgeois desire for political reform and German unity finally seemed to be on the winning side. The prince's thrones were shaking all over Europe. It was also the year of

the political awakening of the lawyer Hermann Schulze in Delitzsch in Prussia. From then on he fought as a convinced democrat for universal suffrage and for the freedom of the press, he founded worker's associations, economic cooperatives and he took part in the founding of trade unions as well as the left-liberal *German Progress Party* and the *German National Association*.

Yet the revolution failed. The *German Confederation* carried on as before until, in 1861, the not quite young but new Prussian King Wilhelm I appointed Otto von Bismarck as Prime Minister. It was Bismarck's task to end a serious constitutional conflict within the liberal majority in the *Prussian Parliament*. The issue under contention was a reform of the army which was intended to remove the remaining militias which had arisen in the popular uprising against Napoleon in 1812 and which had become institutionalised as the *Defence Militia*. The *Defence Militia* was to make place for a royal army commanded exclusively by aristocrats. However, Bismarck did not resolve the conflict, instead he took the first available opportunity to divert attention by taking action abroad. This was provided by the war between the German Confederation commanded by Prussia and Austria against Denmark in 1864 in order to prevent the dukedoms of Schleswig and Holstein coming under the control of the Danish king. The war was a success. However, Bismarck used this opportunity to start another war, with Prussia and some closely allied German states on the one side and Austria on the other. Prussia was once more victorious and took the opportunity to annex several German states. Bismarck simultaneously exploited the situation to conclude peace with the majority of the liberals regarding the constitutional conflict (Schulze now belonged to the left-liberal minority which still remained in opposition to Bismarck). Prussia now founded its own federal state together with the north German states - the *North German*

Confederation. Four years later, Bismarck sparked the third *German Unification war*, this time together with the south German states against France. Following victory against France, the German Reich was created. However, Austria was excluded.

Parallel to this political development, following after the Napoleonic era, the 19th century was marked by rapid and increasingly accelerating societal and economic developments. It was characterised by the continuous development of new technologies, methods and materials. Industrialisation took hold and forced an ever-increasing tempo - production increased, there was more and faster transport and the population grew. Life expectancy increased even though this was an extremely slow process. There were also advances in medicine. Since the 1830s, it was above all the railways that made rapid growth possible in mining, iron and steel production and machine building. The enormous demand for capital led to the development of an effective banking system. Towards the end of the century the use of electric power began to have an enormous influence on the future development of industry and society. When Raiffeisen died in 1888, there were already automobiles, electric lightbulbs and phonographs. Undersea cables made it possible to send telegrams from Europe to America. Raiffeisen's world, the world of agriculture, was also subject to continuous changes. One single example provides us with an insight into the pace of these changes - two years before Raiffeisen's death the first self-propelled combine harvester was put into service.

All of these technical innovations led to changes to society. The whole century was characterised fundamentally by a profound belief in progress. Rigid societal structures became more and more fluid. New social classes formed in step with industrial developments while others became less

important. To paraphrase Golo Mann: a population of farmers transformed into a population of blue and white collar workers. Social differences, however, became more pronounced and the resulting conflicts increased. An example of this is the Weavers' Revolt of 1844. In the second half of the 19th century, workers created their own organizations even though the initial founders, such as Lassalle, were not workers themselves. But Bebel was. The growth of the *Social Democratic Party* under his leadership made the ruling classes nervous. Therefore, in 1878, Bismarck used two assassination attempts on the Kaiser (in which the social democrats were in no way involved) to sanction the party under state of emergency laws. The aim was to make the social democrats' work extremely difficult so that their influence on the workers would be drastically reduced.

A few years later, Bismarck added to this open conflict with his social legislation, i.e. the introduction of health insurance, old age pensions and invalidity benefits applying under the principle of stick and carrot. It was Bismarck's aim to lessen workers' backing for social democracy by lessening the vicissitudes of life through state support. He called this policy practical Christianity (Bismarck 1889: 156 and 164 et seq.).

b) Agriculture and rural society

During this time, agriculture and rural society were characterised by their own very special developments and conditions. Let us consider these briefly - after all, Raiffeisen did not exist in a vacuum. The following statements largely follow *The History of German Society* by Hans-Ulrich Wehler and Thomas Nipperdey's *German History*. I have also referred to Volker Ullrich's *The Nervous Superpower. The Rise and Fall of the German Empire*.

Following the Napoleonic wars, agriculture in Germany suffered a period of crisis until the end of the 1820s (however, this had differing regional characteristics). This was followed by a long period of economic upturn lasting until the middle of the 1870s. In addition, (again with regional differences) there were famines caused by crop failures such as in the years 1845/47. At this time (1850 to 1875) the price of agricultural land - within the Reich's borders of 1871 - rose by approximately 85%. If the whole capital stock (land plus livestock, machinery, inventories) is taken into account then the increase amounts to even around 90%. The difference between these two percentage increases is due to the continuous process of modernisation. The causes of this "agricultural growth" included greater demand from the domestic market caused by the immense growth in the population in combination with a sharp decrease in production for private consumption as a result of industrialisation and urbanisation. The agricultural sector increasingly produced for the market. The improvement in transport networks after 1850 contributed to an improvement in the general situation. (see Nipperdey 1991a: 146 et seq., 157 and 172 and Wehler 1995: 41 et seq. and 48). Raiffeisen also made a contribution as we shall see later.

Modernisation was also associated with the arrival of the capitalist ethos and the increasing importance of profitability, financial returns, quantifiability and accurate bookkeeping. Being a farmer "...was no longer - like being a landowner and peasant - a natural and inheritable state but a profession which could be chosen". Of course, modernisation also involved improved fertilisation, the beginnings of the systematic breeding of livestock and plants, new machines and devices, more livestock together with the academisation of training etc. As Nipperdey put it: "Agriculture emancipated itself to an extent from nature

[...]". Risks such a fire, hail and livestock diseases which had, up to that time, been seen as acts of god became more manageable through the introduction of insurance, (see Nipperdey 1991a: 147 et seq., 158 and Wehler 1995: 52 et seq.).

This all cost money. Until the emergence of cooperative credit unions there had been hardly any institutional lenders in rural areas. The example provided by cooperative lending galvanised savings banks and other banking institutions into taking action. Previously, however, above all personal loans had been granted by private money lenders, often they were combined with cattle trading (occasionally the church parishes also loaned money). Later we will look in greater detail later into the occasional accusations of usury which were connected with this business. From about the time of the founding of the Reich in 1871, the agricultural sector had access to sufficient capital. (see Nipperdey 1991a: 151 and Wolters 2008: 21 et seq.). Wehler observes of this period that "The ritualised lamentations about a shortage of credit in rural areas cannot disguise the flow of capital to these areas" (Wehler 1995:48).

However, there were considerable differences between the contribution of agriculture and the general population to these developments and processes. These differences were due to factors such as agricultural structure, inheritance law, the size of the farm and the quality of the soil. For example, in the northwest, where one heir inherited everything, the farms were large or medium-sized, whereas in the southwest, where property was divided amongst the heirs, farms were small. There were also extreme differences in the same region between farmers with large farms with good soil and poor farmers in geest areas, on heaths, in forests and in mountainous terrain. Between 1815 and 1848, in the areas where property was divided amongst

heirs, small farmers suffered increasingly from poverty. This was mainly the case in Hesse, parts of Thuringia, the Rhine Province, the Palatinate and Baden and Württemberg (see Nipperdey 1991a: 171).

All of these aspects were related, on the one hand, to a specific farming mentality. Nipperdey described this as follows: "Life meant work, to till the land and to provide for yourself and your family. The farmer was particularly dependent on nature - it provided the necessities for life (which work and industriousness could not guarantee) but it was also hostile, strange, sinister and uncontrollable. The acceptance of nature as being capricious as well as bountiful is fundamental; the field, the animal (and tools), these are things in the farmer's immediate world which determine his destiny. Therefore, the farmer feels, thinks and acts in a more restrictive and consistent way than (more mobile) city dweller" (Nipperdey 1991a: 173 et seq.).

On the other hand, there were considerable social differences in rural life as "within the rural world there existed a hierarchical system of social inequality. The central driving factor in the life of the villagers was the size of the farm" The decisive factor was the family into which one was born. "More than any individual ability, the possibility to benefit from inheritance and make a good marriage determined social standing and social opportunities to a far greater extent than in urban life..." (Nipperdey 1991a: 174; see Nipperdey 1991b: 220; Ullrich 2007: 305; see also Wehler 1995: 180 et seq.).

In 1875/76, shortly after the founding of the Reich, a crisis in the world's agricultural markets also hit the German rural economy. Wehler commented that this crisis was a "secular event which heralded a still-unresolved long-term crisis lasting to the present day" (Wehler 1995: 56). The

integration of the agricultural sector into the world market had increased. Cheap imports, above all of livestock, meat and grain (the latter mainly from the USA and Russia) depressed domestic prices (see Nipperdey 1991b: 202 et seq. and Wehler 1995: 56 et seq.).

The rationalisation and modernisation of agriculture continued apace. Modern innovations such as threshing machines, harvesters and seed drills were used to an ever-greater extent. There were advances in methods of conservation, in sales organization and in the refining of agricultural products (e.g. dairy products). The fallow land, which still existed as a result of earlier methods of cultivation, was also put to use just like numerous areas of waste land (see Ullrich 2007: 133 et seq. and Nipperdey 1991b: 192 et seq.). The inner-village social hierarchies were strengthened rather than weakened. "Usually the large landowners formed a ruling clan which also dominated informally..." They used their monopoly of political power in favour of their kith and kin. "They decided important political questions and influenced day-to-day administrative procedures through their choice of village functionary or *overseer*" Agricultural associations supported the agricultural sector. "They spread technical knowledge, published their almanacs and periodicals, demonstrated ploughing samples, experimented with new cultivations and livestock breeding and bought seeds, fertilizer and fodder." However, "in reality, these organisations supported above all the large and medium-sized landowners." It was these that "the rural cooperatives and credit institutes primarily assisted when it came to the modernisation of the farms". This had consequences as "this secured their leading role in the development of rural society" (Wehler 1995: 54, 180 et seq., 826 et seq.).

Willy Krebs, the head of the Raiffeisen Organisation's department of literary affairs and business statistics prior to 1930, whom we shall encounter again several times, published a short text with the heading "Celebration Gift" on the occasion of the 100th anniversary of Raiffeisen's birth. In this he wrote about the Westerwald region in which Raiffeisen was active and, in particular, about the people there: "The small farmers, firstly impoverished by exploitative knights, then subject to the inefficiency caused by the proliferation of small states, suffering from constant partitions, inheritances, conquest, purchase and mortgaging, pauperised and indebted, began under the orderly conditions provided by the governments of Nassau and Prussia, to gradually recover from the beginning of the 19th century onwards. But this was a very slow process. The consequences of centuries of mismanagement could not be remedied overnight. The farmers had become stupid and dull; they accepted their miserable situation as god and nature given" (Krebs 1918: 60). This is where Raiffeisen came in.

c) The world of cooperatives before Raiffeisen

Even before Raiffeisen's times there had been a remarkable development in cooperative thought and experiments. Contrary to the widespread myth (maintained by the German cooperative federations) cooperatives are in fact very old. In any case, Raiffeisen and SchulzeDelitzsch were certainly not the first to come up with the idea. They and their organizations entered a world of already existing cooperatives. I dealt briefly with the origins of the cooperative concept and practice some time ago (see Kaltenborn 2016: passim). Now I would like to concern myself with just some early examples from rural Germany - the world in which Raiffeisen was active.

At the end of the 18th century it was the task of Carl Gottlieb Svarez (sometimes also known as Suarez) to set up an agricultural credit system for the still young Prussian (previously Austrian) province of Silesia. The agricultural estates were overburdened with debt as a result of past wars and needed to be given the chance to restructure. His model, which was subsequently also introduced into other eastern Prussian provinces, envisaged cooperatively organised mortgage bond institutions whose membership comprised of the landowners. The cooperatives aimed to provide their members with loans secured by mortgages which were limited to a maximum of half of the value of their respective estates. In order to refinance these loans, the mortgages were traded by the cooperative at a guaranteed rate of interest. The cooperatives (in some cases the membership was compulsory) bore the title *Rural Credit Union*. None other than Max Weber researched these later (see Weber 1998: 333 et seq.; see also Wolf 1963: 434 et seq.).

At least two similar concepts are known from Bavaria. One of these, which had already been developed in 1823, envisaged the founding of a cooperative bank with the aim of unlocking the capital market for large landowners in return for collateral (Aretin 1823: passim). Some years later, a Bavarian veterinary surgeon named Ryss conceived the idea of a *Livestock Insurance Credit Institute* (Ryss 1831: passim). His idea (as Raiffeisen's later) was to help the poor farmers who were unable to actually buy their few head of livestock. Instead they fell prey to livestock traders who exploited their situation with a form of lease purchase. In order to prevent this, an institution was to be formed (one in each village) which insured and regularly examined the livestock of its members. This enabled the value of the animal to be ascertained and it could, as a result, be used as collateral for the purchase price which was loaned by the

institute to the farmer. As the association would be run as a dependable business it could, in its role as a credit institute, amass sufficient deposits. The author would like to make clear that this business model also benefitted the livestock traders. This is because they would "prefer" to sell the livestock for ten or even thirty percent less than they would "on unsecured credit in which case they could lose more on one deal than they could gain in between two and six other deals because court fees, the loss of interest and suchlike cost a lot of money (Ryss 1831: 6).

Three years later, in 1834, a cooperative was formed to build and run a windmill in Homberg on the Rhine near Moers (see Schreiber 1928: 640 et seq.). Friedrich Müller who published in 1901 an extensive work about the development of agricultural cooperatives noted that the organisations founded by Raiffeisen "were in no way the only, and certainly not the first, institutes of their type at that time. They were rather simply examples of a form of organization which had already existed in many parts of Germany even before 1850 and many emerged especially in the middle of the 19th century as required in whatever form..." (Müller 1901: 27). These also included the *Assistance Fund for the Purchase of Livestock for Landowners of Small Means*, which was founded by the mayor of the parish of Homberg in Nassau in 1848. The members had at least to make a contribution to the financing of the loans so self-help was expected of them. The Homberg Statute already included the joint liability of these members (see Fassbender 1902: 72). Raiffeisen, who at this time could be said to have begun the second stage of his journey, had not yet got as far as that (see Raiffeisen 1872: 110 et seq.).

The same applied for the winegrowers' cooperatives which emerged from 1852 also independently of Raiffeisen. The