Italian credit cooperatives between expansion and retrenchment (1883-1945)

by

Andrea Leonardi, University of Trento

aleonard@economia.unitn.it
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Introduction

Far from being a type of credit institute now superseded, the Cassa Rurale may for many years to come provide the rural population with useful banking services, albeit only those strictly necessary. At first sight, this statement – expressed at a crucial juncture for the economic reconstruction of a country profoundly damaged by Fascist economic policy and the ravages of the Second World War – may seem simply an officious defence of a particular type of credit institute radically retrenched in immediately previous years. But in a phase when Italy, despite its difficulties, was regaining confidence and initiating the process that would produce the ‘economic miracle’, the assessment was not made by the executives of the cooperative banking system. Rather, it was an assertion in early 1949 by the Bank of Italy, which was not only the country’s issuing bank but also the supervisory

1 And in view of the agrarian reform, the report continued, which will bring amongst other things a large number of new agricultural credit transactions for small sums, as well as more long-term land credit operations, the Casse Rurali, by virtue of their economic size and facilities, could at least in part satisfy demand for loans on advantageous conditions by smallholders and independent farmers. (Archivio storico della Banca d’Italia, Roma (henceforth: ASBI), fondo 23, n.18, fasc. 6: report entitled: Le Casse Rurali nel 1947-1948, January, 13, 1949).
authority for its entire banking system. In immediately previous years, in fact, the Italian central bank had stressed the marked decline in cooperative credit and the disappearance of a large number of small rural banks unable to withstand the ‘Great Depression’ – not least because they had been organizationally weakened by the deliberate curtailment of their coordinating bodies by the Fascist regime.

In its *Relazione sull’attività del Servizio Vigilanza* issued on 18 February 1947, the Bank of Italy had insisted that the fundamental problem of the rural banks is their survival itself, adding that: once numerous and flourishing, these institutes are now in constant decline. If one considers the figures on the number of rural banks in operation in 1928 – reported by the Bank of Italy as amounting to 2,440 – one understands the Supervisory Authority’s pessimism in 1947, given that by that year the number of banks in operation had shrunk to just 817.

Over twenty years, amid the general collapse of the Italian credit intermediation system, two-thirds of rural banks had disappeared. The collapse was of such

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5 See on the region with the largest number of cooperative credit banks: A. Leonardi, *Una stagione «nera» per il credito cooperativo. Casse rurali e Raiffeisenkassen tra 1919 e 1945*, Bologna, 2005.
9 Detailed analysis of all the reports produced by the Servizio Vigilanza della Banca d’Italia from 1927 onwards shows that between 1928 and 1947 some 66.5% of the Italian rural banks on the ministerial register had closed down, mainly with voluntary liquidations but in some cases because of bankruptcy or takeovers by other banks. In parallel, 65.8% of all credit institutions had ceased operations, given that of 4,197 registered in 1928, only 1,434 had survived to 1945. See ASBI, fondo 23, n. 11, fasc. 1, *Servizio vigilanza su le aziende di credito – Relazione 1927*; fondo 23, n. 11, fasc. 2, sottofasc. 1, *Servizio vigilanza su le aziende di credito – Relazione 1929*; fondo 23, n. 11, fasc. 4, sottofasc. 1, *Servizio vigilanza su le aziende di credito – Relazione 1930*; fondo 23, n. 11, fasc. 5, *Servizio vigilanza su le aziende di credito – Relazione 1931*; fondo 23, n. 11, fasc. 6, *Servizio vigilanza su le aziende di credito – Relazione agli azionisti per l’anno 1932. Statistica bancaria 1931*; fondo 23, n. 11, fasc. 8, *Servizio vigilanza su le aziende di credito – Relazione 1933*; fondo 23, n. 11, fasc. 9, *Servizio vigilanza su le aziende di credito – Relazione 1933 su esercizio 1932*; fondo 23, n. 11, fasc. 10, *Servizio vigilanza su le aziende di credito – Relazione esercizio 1934*; fondo 23, n. 13, fasc. 2, *Servizio vigilanza su le
magnitude that, from the mid-1940s onwards, the Governor of the Bank of Italy no longer included figures on small-scale cooperative credit among the statistics accompanying his annual report.\textsuperscript{10} And yet it is indubitable that the rural banks had performed a crucial role in the slow achievement by Italian agriculture – especially that part of it consisting of an extensive system of small-to-medium owners – of the rationalization objectives set at the end of the nineteenth century.\textsuperscript{11} Indeed, after recording the lowest level of small-scale cooperative credit at the end of World War II, the Bank of Italy had reported its revival, and emphasised – as we have seen – its importance for the economic recovery of the Italian countryside.

It is evident from this preliminary outline that in just over half a century Italy’s rural banks experienced both marked expansion and contraction, which did not signify driftage but simply a waystage in their development. They played a major role in the development of numerous small and medium-sized enterprises, not only rural, and significantly contributed to Italy’s economic recovery in the 1950s.\textsuperscript{12}

It is therefore worth reconstructing – on the basis of studies published in recent years\textsuperscript{13} and analyses of documents conserved in the Bank of Italy’s archives now

\textsuperscript{10} See on this: Relazione 1944, pp. 87-88; Relazione 1945, pp. 220-229; Relazione 1946, pp. 313-317; Relazione 1947, pp. 278-293.
\textsuperscript{13} Most notably: S. Zaninelli (a cura di), \textit{Mezzo secolo di ricerca storica sulla cooperazione bianca. Risultati e prospettive}, voll. 4, Verona, 1996; così come: P. Cafaro, \textit{La solidarietà efficiente}, op.cit.; A. Leonardi, \textit{Dalla beneficenza al mutualismo solidale: l'esperienza
nearing completion – the evolution, with alternating outcomes, of the Italian cooperative system. This is an evolution of indubitable interest and with results of unquestionable importance only tarnished by a period – that between the wars – when the entire Italian banking system not only suffered economic-financial turmoil but also underwent legislative reorganization that profoundly changed its features.\textsuperscript{14}

Then, the fact that after a ‘dark period’\textsuperscript{15} the rural banks – now cooperative credit banks – were able to gain credibility outside the strictly rural world and grow to a size that enabled them to stand on an equal footing with the other credit institutions is striking evidence of their vitality.\textsuperscript{16} It is also evidenced by the resumption of dialogue – after the forced isolation of the Fascist period – which took the form of joint synergies with the European cooperative credit system. Completed in more recent years, therefore, has been a cycle whereby the Italian cooperative credit banks have returned to the mainstream from which they originated in the second half of the nineteenth century.\textsuperscript{17}

\textbf{The origin of cooperative credit: the initiative of Friedrich Wilhelm Raiffeisen}

The model of mutualist organization that made cooperative credit the pivot of an entire system of societies operating in the areas of both consumption and production,
originated in Germany, from which it spread throughout Europe, including Italy. The set-up that made credit the focus of cooperative activity was undoubtedly a novelty. The mutualist system that had begun in the mid-nineteenth century and then spread widely through Europe after the Rochdale scheme of 1844, saw a redefinition of consumption as the point of reference and departure for the development of other forms of cooperation.\(^{18}\)

By contrast, after a careful analysis of the Rheinland’s agricultural system, which consisted of small and medium-sized farm businesses, the burgomaster Friedrich Wilhelm Raiffeisen\(^ {19}\) realized – as did a liberal economist of legal training, Hermann Schulze-Delitzsch\(^ {20}\) – that lack of capital prevented the poorer classes from leaving a state of economic, and therefore social, marginalization. Both men therefore set about creating cooperative credit societies based on the concept of mutual self-help. The bodies they created – *Volksbanken* the former, *Darlehenskassen-Vereine* the latter – issued personal credit for even small sums. This should have considerably improved the living conditions of those who joined these societies in order to use their credit intermediation services, which were otherwise unavailable to economically vulnerable subjects. The model devised by Raiffeisen and Schulze viewed credit cooperatives as the central components of a complex system of societies operating in both the retail and manufacturing/processing sectors.\(^ {21}\)

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Although Raiffeisen started from theoretical considerations similar to those of Schulze, he developed a model different from the latter’s Volksbanken. On occasion, indeed, discussions between the two men grew heated, and the debate between their supporters was sometimes highly animated, not only in Germany but also in the countries where the two types of credit institutions spread rapidly after the 1870s.

The distinctive features of Schulze’s people’s banks were that they issued short-term loans, they were managed in accordance with well-established banking principles, they accumulated capital by obliging members to acquire large capital shares, they did business across broad areas so that their administration was necessarily costly, and they paid dividends on shares. Raiffeisen’s credit unions were, instead, ethically motivated and served the purpose of social solidarity. They were, moreover, characterized by being free of administration costs, control over the use of loans, an area of operations largely restricted to the local parish, no shareholding and dividends, an indivisible fund consisting of profits, and declared charitable objectives.

The differing natures of the two types of cooperative credit society were also due to their differing memberships. Belonging to the Volksbanken were urban craftsmen and shopkeepers, who could use their savings to contribute to the formation of share capital. The cooperatives’ members therefore had businesses which required mainly


short-term investments. By contrast, almost all the potential members of credit unions possessed landed capital; what they lacked was working capital and liquidity. They could not contribute to share capital, but they could guarantee third-party lenders with the total value of their assets. Farming, moreover, required long-term investments, which consequently took a long time to return profits and thus be repaid.

Another substantial difference between the two systems consisted in their diverse underlying notions of the functions and purposes of a cooperative. For Raiffeisen, a cooperative should not have merely an economic purpose; above all, it should pursue the moral improvement of the individual. Money was not the end of the enterprise but a means to achieve its overall goal, which according to the statutory principles enunciated by Raiffeisen was to improve the material and moral conditions of its members, to undertake suitable initiatives, in particular procuring and guaranteeing the financial means necessary for loans to members, and especially to collect money in interest-bearing accounts. The difference with respect to Schulze was therefore considerable, in that Schulze stated that “the purpose of a credit union is to procure for its members, by means of common credit, the money necessary for the exercise of their shops”. The principal purpose emphasised by the theoretician of liberal cooperation was therefore banking, the effects of which might be of moral importance but were nevertheless secondary to the main objective.

Instead, for Raiffeisen, the credit unions – whose legal form, after various experiments, was definitively ratified as the statute of the *Heddesdorfer Darlehenskassen-Verein* of 1869\(^{32}\) – should fulfil a strategic function. According to Raiffeisen, in fact, a cooperative credit bank should not be a transitory union but a permanent component of a new social system.\(^{33}\) According to the ethical principles of the Rheinland burgomaster, cooperatives should be inspired by brotherly love; beneath their economic exterior should beat the heart of the ideal community. Formally, Raiffeisen appealed to the profit motive, but in reality he addressed Christian faith, in whose triumph through cooperation he unswervingly believed.\(^{34}\) His dream, therefore, was that rural cooperation should give rise to a new Christian society, although he did not envisage the confessionalism of cooperation. Rather, he believed in the Christian precept of loving one’s neighbour, not some form of religious fundamentalism.\(^{35}\)

The critics of this doctrine, however, pointed out that the love for one’s neighbour was often more theoretical than practical, and set out only by statute, in that the Raiffeisen Federation – this being the organization that coordinated the credit unions – accepted only cooperative societies that endorsed the principle, without verifying whether their members actually applied it in their day-to-day activities.\(^{36}\) The most significant criticism brought against the Raiffeisenian model by the adherents of the ‘economicistic’ cooperation movement was that its mystical-religious baggage was only a propaganda device, so that disinterested brotherly love was embraced only as long as it did not entail tangible costs.\(^{37}\)

While acknowledging the criticisms (sometimes self-interested) made of the small banks promoted by Raiffeisen, it should be emphasised that the principles of

unlimited liability, the accumulation of an indivisible fund, the granting of loans to those that deserved them, the honorary nature of offices, and in general the tendency not to seek profit for its own sake but to serve members disinterestedly, were theoretical concepts which derived from a convinced commitment to the Christian precept of loving one’s neighbour.\textsuperscript{38} By contrast, in cooperatives based on Schulze’s model, the founding principles were applied in view of practical and economic utility and the mental and moral characteristics of the reference class.\textsuperscript{39}

In the early twentieth century, perhaps the most attentive Italian scholar of German cooperation, the economist Giovanni Lorenzoni, pointed out that the main difference between the two types of credit cooperatives in Germany was that, whilst the cooperatives envisaged by Raiffeisen applied rules as a matter of principle, the credit unions promoted by Schulze applied largely the same rules but did so as a matter of practicality. They could therefore be modified as circumstances changed and thus give flexibility to the organization.\textsuperscript{40} This distinction was due to the fact that the two models were founded on two different doctrines: on the one hand, cooperation was considered to be a religious “derivation” and a branch of the Church’s social activity, in both its evangelical and, especially, Catholic forms;\textsuperscript{41} on the other, it was conceived as essentially an economic activity where there was room for everyone regardless of their ideas.


\textsuperscript{40} G. Lorenzoni, \textit{La cooperazione agraria}, op.cit., vol. II, pp. 38-133.

\textsuperscript{41} Significant in this regard is the following statement by the parish priest Sell. “In the rural credit banks based on Raiffeisen’s system we salute a strictly Christian enterprise, in which social reform is achieved on Christian bases. These societies have Christian origins (the Christian individuality of Raiffeisen and the Christian moral principles of the normal statutes of societies). They express loving Christian work (Christian solidarity, the division among parishes, administration on an honorary basis, prudent and opportune loans to aid the borrower in Christian and moral manner, the formation of a Stiftungs-Fond capital fund) and they pursue Christian purposes (reanimation of the Christian community, discipline to prevent vice and impoverishment, support for popular welfare) (\textit{Die ländlichen Spar- und Darlehenskassen als Stück der Inneren Mission}, Hannover, 1897, pp.26-28).\textsuperscript{f}
As emphasised since the end of the nineteenth century, the efficacy of Schulze’s message resided in its extremely pragmatic ability to match the needs of the lower middle class. By addressing craftsmen and shopkeepers, Schulze – as Gustav von Schmoller pointed out in 1890 – had no need to appeal to vague philosophical and social systems, but to the good commercial sense and narrow mentality of the petit bourgeoisie.\textsuperscript{42}

However, here I shall not survey the various attempts made to combine the theories of the two main founders of the German cooperative credit system, which in the long period were indubitably successful but also went through periods of stagnation and of strong opposition. Instead, I shall consider an aspect of the cooperative model propounded and implemented by Raiffeisen which had a major impact on the organization of cooperative credit in Italy.

I refer to one of the central components of Raiffeisen’s thought: namely, the neutrality of the cooperative instrument, although this was conceived in accordance with authentically Christian principles.\textsuperscript{43} Raiffeisen’s religious beliefs, in fact, did not make him intolerant of either Catholics or Protestants. At no time did he advocate the confessionalism of cooperation. His sole concern was the application of the Christian principle of love in everyday life, and not therefore, the endorsement of one faith rather than another.\textsuperscript{44} This attitude gave him especial authoritativness and enabled him to overcome the suspicions of the Catholic peasants of Westerwald, who certainly respected him as an administrator but were not always willing to listen to him as a Lutheran.\textsuperscript{45} For that matter, he himself provided an exceptional example of his conception of neutral yet religiously-inspired cooperation.\textsuperscript{46} Certainly, he wrote in a letter of 1879 cited by Friedrich Müller, we demonstrate that Christian

\textsuperscript{43} F. Müller, \textit{Die geschichtliche Entwicklung des landwirtschaftlichen Genossenschaftswesen in Deutschland von 1848/49 bis zur Gegenwart}, Leipzig, 1901 pp. 154-155.
\textsuperscript{44} G. Lorenzoni, \textit{La cooperazione agraria}, op.cit., vol. II, p.133.
principles and love for one’s neighbour are the only devices able to regulate our social and economic conditions and to shape and animate our cooperatives, especially the Darlehenskassen-Vereine, and we shall proceed on this basis in the future, given that it is the only true and enduring one. But, as in the past, we shall take pains to ensure that cooperatives are not made instrumental to political or religious agitation. We have always declared that in regard to cooperative activity we find ourselves on neutral terrain where all those willing to work for the good of the people can peacefully collaborate together.47

After Raiffeisen’s death in 1888, his model was further elaborated and implemented in the broader and more systematic reorganization of the German rural cooperation system, in that the credit cooperatives were flanked in synergic terms with all the other forms of agricultural cooperation.48

While the credit cooperatives furnished loans to farmers on favourable conditions, the farm supply cooperatives procured physical capital: their function was therefore not to influence the price of credit, but the price and quality of raw materials. These associations therefore undertook, on behalf of their members, the joint purchase of the commodities that they required, thus influencing prices, quality, and trade practices. They paid current prices and their net profits were partly distributed among members and partly set aside as a reserve fund, on the model of the Rochdale scheme. All these cooperatives also performed the important function of disseminating new farming techniques, thereby innovating agricultural methods and increasing productivity.49

There was practically no branch of agriculture or the agro-food industry in which this form of mutualist economic organization did not demonstrate its vitality. Farmers knew that if they were to enhance their economic circumstances, they

47 Ibid., p. 204.
would first have to reduce the cost of the production factors, primarily capital, and then organize the production and sale of their output better, thereby raising their prices. Only through their own efforts, cooperating in pursuit of a common goal, could they improve their standards of living. Thus added to commercial considerations were motives not only economic but social, in that the moral value added deriving from this endeavour would bring benefit to society as a whole.

The cooperative form was the one that made the most demands on the individual. It was not an impersonal bond that kept a cooperative’s members united, but a free contractual enterprise which broke down when the initial trust flagged. The cooperative appealed not to the wealth, but to the intelligence, honesty and culture of its members, to their spirit of self-sacrifice, to their capacity for hard work. It was the form of enterprise best suited to small local groups and to democratic organization among equals.

The model attracted the criticisms of socialists, who viewed it as an attempt to ‘embourgeoise’ the working class and who therefore found only production and consumption cooperatives acceptable, not credit cooperatives. Nevertheless, the model was studied and developed in various European regions. It is above all events at the end of the 1870s that demonstrate the fecundity of Raiffeisen’s ideas. Amid the severe crisis of European agriculture produced by the collapse of the prices for agricultural produce, the Raiffeisenkassen extended beyond Germany’s

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borders to place themselves at the disposal of small farmers in Belgium, France, Austria, and also many areas of Italy.\textsuperscript{54}

**Credit for agriculture and the advent of Raiffeisen cooperation in Italy**

In post-unification Italy, the problem of credit for agriculture, especially where it was based on the small farms system, was largely unresolved, and it hampered the growth of the agricultural economy.\textsuperscript{55} Recourse to self-financing was impossible for the majority of small farmers. Moreover, given the characteristics of financial flows in the country – the scant attractiveness of investments in agriculture as opposed to state securities – very little remained to finance the agricultural sector.\textsuperscript{56} The market was distorted by the sale of state-owned and ecclesiastical property in order to increase state revenues: an operation which subtracted significant amounts of saving from possible investment in the agricultural sector. Given this state of affairs, and the small farmers’ inability to offer the solid guarantees that would give them access to credit, not surprisingly the plague of usury spread through rural Italy.\textsuperscript{57}

Usury was a phenomenon that an early 1980s parliamentary inquiry into the situation of the Italian countryside described as ‘structural’. Emblematic in this regard are the observations made by Stefano Jacini in his final report. *In the purely agricultural villages, money is costly and difficult to obtain. Whence derives the tendency to resort to usury which the new people’s credit banks could attenuate, though never eradicate. Consequently, where mortgage loans are difficult to obtain,*


\textsuperscript{57} Ibid., pp. 6-11. See also G. Valenti, *L’Italia agricola dal 1861 al 1911*, in: *Cinquanta anni di storia italiana*, vol. II, Milano 1911, pp. 54-138.
and the creditor’s solvency rests on purely personal bases, it is unlikely that an enterprise can provide the guarantees required by a private lender.\textsuperscript{58}

Hence, while the most efficient farmers in the country sought ways to rationalize the agricultural system, the risk arose that the weaker and smaller businesses would be overwhelmed with debt. The search for a remedy to a situation, which after the severe agrarian crisis of the early 1880s was deteriorating rapidly – not only damaging the rural population economically but also creating marked social tensions – led to the gradual rediscovery of traditional forms of cooperation in the countryside, and especially in its most marginal areas.\textsuperscript{59}

A problem for the economies of the Italian regions had always been the scant availability of resources, and it was now exacerbated by rapid demographic growth since the mid-1880s.\textsuperscript{60} Equally evident was the difficulty of many small farmers to attain even a minimum level of subsistence – especially since the ‘Great Deflation’ of the early 1880s. These various factors stimulated attempts to rationalize the organization of production, amongst other things by introducing cooperation.\textsuperscript{61}

Moreover, as the situation deteriorated further, a number of philanthropic initiatives were undertaken – in different sectors and with different aims – to ease the plight of weaker sections of the population.\textsuperscript{62}

\textsuperscript{58} Relazione finale sui risultati dell’inchiesta, redatta per incarico della Giunta dal Presidente, in: Atti della Giunta per l’inchiesta agrarian e sulle condizioni della classe agricola, vol. XV/1, Roma, 1884, p.67.


\textsuperscript{61} On the importance of the economic context for the development of cooperation see: G.Draheim, Die Genossenschaft als Unternehmungstyp, op.cit.; E.Boettcher, Kooperation und Demokratie in der Wirtschaft, Tübingen, 1974; W.Werbert, Tradition und Fortschritt. Aufgabe und Verpflichtung, Neuwied, 1981; E. Hasselmann, Von der Lebensmittelasssociation zur Kooperation, op.cit.

The above-mentioned Jacini Report also referred to philanthropic schemes to redeem the rural population from its marginalization. In Lombardy and Veneto, the second half of the 1880s saw the rise of the so-called ‘Lombard-Venetian’ school of thought, which was substantially influenced by German culture and its social principles.\(^{63}\) The period saw various men performing a cultural role, certainly of national importance, but whose actions had most impact on the country’s civil, social and economic maturation.\(^{64}\) Outstanding among them was Luigi Luzzatti, a man of great personal prestige and highly influential in Italian society, and not just because of his promotion of Schulze’s people’s banks, or ‘banche popolari’.\(^{65}\) In 1863 Luzzatti published a book which can be considered the theoretical and practical ‘manifesto’ of people’s banks in Italy,\(^{66}\) the first of which was founded one year later in Lodi. The banche popolari rapidly spread through the country: there were already 50 of them at the end of 1870, and 124 in 1878, with around 100,000 members – although, as Luzzatti himself pointed out,\(^{67}\) these were mainly small entrepreneurs in the manufacturing and commercial sectors, though also in agriculture and the public administration. When the first Italian rural credit bank (cassa rurale) opened in 1883, there were already 250 people’s banks operating in every part of the country, reflecting, as Luigi De Rosa points out, on the one hand, the industrial growth of northern Italy, with the connected development of


\(^{64}\) To be mentioned in particular is Alessandro Rossi and his schemes to resolve the conflict between capital and labour. Among various studies on this important entrepreneurial figure see G.L. Fontana (a cura di), Schio e Alessandro Rossi. Imprenditorialità, politica, cultura e paesaggi sociali del secondo Ottocento, vol. 2, Roma, 1985, 1986; Id., Mercanti, pionieri e capitani d’industria. Imprenditori e imprese nel Vicentino tra ’700 e ’900, Vicenza, 1993, pp. 41-110; L. Avagliano, Alessandro Rossi: fondare l’Italia industriale, Roma, 1998.


\(^{66}\) L. Luzzatti, La diffusione del credito e le banche popolari, edizione a cura di P. Pecorari, Venezia 1997

\(^{67}\) L. Luzzatti, Sull’andamento del credito popolare in Italia e sulle condizioni delle banche popolari italiane al 31 dicembre 1878, Milano, 1879, pp. 6-18.
infrastructures and urbanization, and on the other, the progress achieved in certain agricultural areas, in particular the Mezzogiorno.\textsuperscript{68}

However, although the banche popolari were evidently important – as confirmed by experience in Germany\textsuperscript{69} – they were not the instruments best able to relaunch Italian agriculture, and especially to rescue the weakest section of rural society from marginalization. It was then that interest in Italy turned to the strategy pursued by the less well-off peasants in the Rheinland Westerwald, and to the piloting first, and then the creation, of large cooperative associations. The experience of the small German farmers, who at a crucial stage of the transformation of their productive organization were able to react to the extortion exacted by usurers whenever they sought credit, did not pass unobserved in Italy. The small Rheinland farmers, under Raiffeisen’s guidance, were able to devise mutualist instruments taking mainly the form of credit unions and furnishing genuine solidarity for numerous small rural communities.\textsuperscript{70} They inevitably aroused interest in precisely those areas of Italy where the above-mentioned philanthropists were active.\textsuperscript{71}

The problems of the Westerwald, in fact, were shared by numerous other rural areas of Europe, or at least those where the peasants had finally emerged from centuries-long subjugation of feudal origin and now enjoyed full personal freedom and the right to own property. This liberation, however, did not automatically bring real economic independence, owing to a shortage of financial resources which conditioned the peasants’ every initiative. As a consequence, the majority of them


\textsuperscript{69} G. Aschhoff, E. Henningsen, Das deutsche Genossenschaftswesen, op.cit., pp. 15-34.


were engaged in a constant struggle merely to subsist, let alone achieve a more
decent standard of living.\textsuperscript{72}

When a professor at Padua University, and some of his pupils – most notably a
young Jewish student named Leone Wollemborg – examined Raiffeisen’s work,
they were struck by the fact that his credit unions had been deliberately created in
rural areas to halt a vicious circle of poverty which prevented any significant
progress in the productive organization of peasant smallholdings.\textsuperscript{73} The results of the
cooperative action undertaken by Raiffeisen, especially during Europe’s Great
Deflation of the second half of the 1870s, were well known to those in Veneto most
concerned with social problems. A number of well-educated residents of the region
not only translated Raiffeisen’s writings but entered into correspondence with the
founder of German rural cooperation.\textsuperscript{74}

Men of philanthropic principle could not fail to endorse the underlying purpose of
Raiffeisen’s cooperative system: to promote, both in theory and in practice, social
and moral advancement by implementing the Christian principle of loving one’s
neighbour, which was to be given equal importance with economic regeneration of
the rural population.\textsuperscript{75}

However, though interesting and stimulating, schemes undertaken in other
countries could not be entirely replicated in the Italian countryside. Also pressing for

\textsuperscript{72} See for example the situation in the Tyrolean countryside as described by A. Leonardi,

\textsuperscript{73} The growth of German cooperative credit was followed with especial interest by one of the
protagonists of Veneto’s economy at the time: the senator Alessandro Rossi, who publicized
developments in Germany. See on this G. Zalin, \textit{Il credito alla piccola agricoltura e le casse
rurali delle Venetie nella fase d’impianto. Problemi e discussioni}, in: «Rassegna economica»,
XLIV (1980), n.2, pp. 289-321; Id., \textit{Usure, credito e casse sociali di prestiti nelle campagne
padane dall’Unitit al secondo conflitto mondiale. Lineamenti storici}, in: \textit{Studi in onore di Gino
(1866-1898)}, Roma, 1976; A. Lazzarini, \textit{Agricoltura e popolazione rurale}, in: A. Lazzarini (a
cura di), \textit{Trasformazioni economiche e sociali nel Veneto fra XIX e XX secolo}, Vicenza, 1984;
G.L. Fontana, \textit{L’area veneta (province di Vicenza, Padova e Belluno): matrici, esperienze,
percorsi di una societit cattolicamente ispirata}, in S. Zaninelli (a cura di), \textit{Mezzo secolo di
ricerca storica sulla cooperazione}, op.cit., vol.I, tomo I, pp. 149-175.

\textsuperscript{74} R. Marconato, \textit{La figura e l’opera di Leone Wollemborg il fondatore delle Casse rurali nella

\textsuperscript{75} See W. Krebs, Friedrich Wilhelm Raiffeisen. \textit{Ein Kapitel bäuerlicher Selbshilfe}, op.cit.; W.
Sinning, \textit{Raiffeisen - der Mann und sein Werk} op.cit.
attention were significant examples of cooperation already developed in various regions – mainly northern – of the Kingdom. And yet, although the more educated sections of rural public opinion – especially sensitive to social issues and well aware of Raiffeisen’s work and other cooperative schemes – had assimilated the mutualist-solidarist message, and although conditions were in place for credit cooperation to take root, these factors was not enough for it to become an operating reality in Italian rural areas. In Italy, if cooperation was to pass from theory to practice it had to find suitable social and economic, as well as cultural, terrain. And it is in this regard that one appreciates the importance of the action to promote cooperation undertaken by men of the calibre of, first Leone Wollemborg, and then Luigi Cerutti.

The cooperative credit institutes devised by Raiffeisen did not normally issue bills of exchange or grant mortgages. Instead, for the first time in the Italian countryside, they introduced loans based on trust in the borrower, whose guarantee to the institute consisted in his business and a surety. It was on this system that the promoters of the Italian rural credit unions – primarily Antonio Keller, one of Leone Wollemborg’s ‘masters’ – relied to overcome the resistance of small farmers who still regarded credit as a form of usury. It was evident that broad sectors of the rural population could only benefit from the credit granted on trust, without bureaucratic complications and for periods even longer than a year, by the Raiffeissenian system.

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This kind of credit would stimulate farmers to pursue economic and social growth in a context of evangelical solidarity.\textsuperscript{80}

An anomalous feature in Italy was that a mutualist organization of declaredly Christian inspiration was not initially promoted by some body of the Catholic Church, although this was ubiquitous in the countryside, but by the members of a fundamentally secular school of thought\textsuperscript{81} – and indeed primarily by a Jew, Leone Wollemborg. It was this young Paduan, prompted by the ideas of Antonio Keller,\textsuperscript{82} who undertook to disseminate Raiffeisen’s thought, first in the Paduan countryside and then throughout the regions of Veneto and Friuli. Thereafter, convinced of the effectiveness of the instrument represented by the credit union, Wollemborg founded the first of them in the Kingdom of Italy.\textsuperscript{83} His action was all the more significant because a mission profoundly imbued with Christian values was carried forward by a member of the Veneto Jewish community. Thus, bolstered by biblical ethical values, Wollemborg was able to enhance the neutralism of Raiffeisen’s

\textsuperscript{80} On these concepts central to Raiffeisen’s theory of cooperation see W. Werbert, \textit{Tradition und Fortschritt. Aufgabe und Verpflichtung}, op.cit.


\textsuperscript{82} Keller was a lecturer at the University of Padua (see R. Marconato, \textit{La figura e l’opera di Leone Wollemborg}, op.cit., pp. 117-118). In a work of 1882 in which Keller courageously addressed the question of the Veneto peasantry’s imiseration, he identified the Raiffeisen credit union as the best means to remedy it. \textit{If Raiffeisen’s associations, he wrote trenchantly, do not find favour among us, let it be said frankly that this is not because the peasants are dishonest, that they are idle, that they reject agrarian instruction and education; it is because the priests, the mayors, the opportunists, the usurers continue to exploit those who work the land, and to whom they owe their not always honestly acquired wealth} (A. Keller, \textit{Le condizioni dei contadini nel Veneto}, op.cit., p. 54).

\textsuperscript{83} R. Marconato, \textit{La figura e l’opera di Leone Wollemborg}, op.cit., pp. 137-152.
theory, although he was well aware that it rested on central precepts of evangelical Christianity.84

After Wollemborg had established the first Raiffeisen-type credit union in Italy – in 1883 at Loreggia, a farming community close to Padua – thereby putting Antonio Keller’s teachings into practice, he set about promoting the cooperative credit system throughout the Italian countryside.85 He became a tireless lecturer, visiting not only rural areas of Veneto and Friuli but also many others in northern Italy. Then, by founding the periodical La cooperazione rurale in 1885, he reached out to all the country’s rural areas by involving authoritative figures already locally active in cooperation.86 By disseminating the cooperative credit model devised by Raiffeisen, Wollemborg focused attention on the idea that a qualitative improvement in agriculture could be achieved by using the savings of the various categories of farmer: owner-operator, sharecropper and even simple farmhand. In the Rheinland countryside, the returns on such savings had realized the potential for expansion of numerous small communities.

Wollemborg constantly advocated this new organizational form in his periodical founded to promote cooperative credit and to encourage the birth of new associations. In 1885 he wrote: In order to acquire the credit that they need, a certain number of small farmers form mutual undertakings in order to give capital the security that it requires and which individually they could not provide. Because they lack money, they are unable to furnish a capital guarantee; this they replace with a collective personal surety. The risk that deters the honest capitalist from granting credit to individual workers is dispelled when he is confronted by the solidarity of a quite considerable number […] The unlimited joint and several surety gives mutual assurance […] the associated small farmers obtain the money that they

86 P. Cafaro, La solidarietà efficiente, op.cit., pp. 30-38.
need and whose usurious price they suffer, and they divide it among themselves according to rules established by common accord.87

After the first issue of Wollemborg’s periodical, and therefore two years after the first farmers’ credit union was created in Loreggia, there were more than ten casse rurali operating in the Veneto-Friuli countryside thanks to the promotional work of the Paduan philanthropist. This achievement prompted Francesco Viganò, one of the founding fathers of Italian mutualism and cooperation, to hail the “dawn of a radiant future” which would see the cooperative system triumph throughout the country, and with it a climate of shared harmony.88 The functioning of the small institutes was extremely simple: as emphasised, again in La cooperazione rurale, by Gobbi, one of Wollemborg’s first collaborators, who defined a credit union as an association set up without the contribution of capital, which receives loans guaranteed by the unlimited liability of the members and distributes these loans to the members for productive operations, having them pay postponed interest sufficient to cover the interest that the Union must pay and the few administrative costs, and to create a reserve fund which becomes the Union’s capital. This system is especially advantageous to small rural entrepreneurs. It need not extend beyond the commune, or even the parish, so that all members know each other well and can supervise the use of the capital loaned to them.89

Thus transposed to Italy were all the distinctive features of the mutualist institution created by Friedrich Wilhelm Raiffeisen. It has been recently pointed out that missing from Wollemborg’s version of Raiffeisen’s model was the latter’s markedly religious inspiration.90 Wollemborg, moreover, took great pains to find the instruments best able to create trust in the young cooperative institution, most

89 Gobbi concluded: This type of union, which may be termed a mutual surety association, remedies the difficulties encountered by farmers in obtaining credit due to their ignorance of conditions on the capital market, to the dangers of illness and personal misfortune, and to the rather long repayment terms that they require: (U. Gobbi, Che cos’è una cassa di prestiti, in: «La cooperazione rurale», II (1886), n.3.
90 P. Cafaro, La solidarietà efficiente, op.cit., p. 38.
notably the unlimited liability constraint which bound all the members of the credit cooperative together. He was particularly careful to ensure that the credit union’s operations were restricted to a small community, where everyone knew each other. But he also endeavoured to gain the support of an authoritative actor in small rural parishes: the clergy. Hence, although circumstances in Italy at the time were not conducive to a dialogue between Catholics and liberals – given the persistence, after the demise in 1870 of the Papal State, of the ‘Roman question’ which distanced Catholics from active involvement in the new Kingdom and exacerbated conflict between lay and Catholic forces⁹¹ – Wollemborg nevertheless established relations with the clergy in the localities where he established his credit unions.

After a visit to Loreggia in 1885, the French Capuchin father Lodovico De Besse reported as follows: There is nothing more Christian than the institutions of Signor L. Wollemborg. Therefore the rural clergy contributes, with great solicitude, to the foundation and administration of these works [...] the clergy of the Italian countryside have no objection against the use of the rural credit unions to rescue the poor peasants from misery and vice.⁹² In the wake of the ideas propounded by


⁹² Please to God, he continued, that the light come forth and the priests come in larger numbers to till the fields where their zeal may gather the most abundant harvests (L. De Besse, Le casse rurali di Leone Wollemborg, in: «La cooperazione rurale », II (1886), n.2.
Raiffeisen, therefore, it was not impossible for a Jewish philanthropist to gain the collaboration of the Catholic clergy. They engaged in a joint endeavour to combat rural poverty and to assist, by means of credit of even modest amounts, the most vulnerable of small independent farmers and tenant farmers. The requirements for each new institute were those of unlimited joint and several liability, which to be feasible had to relate to a restricted area, the absence (or extreme limitedness) of the initial capital contributions, and the setting-aside of all profits. This was accompanied by scrupulous administration of the fiduciary assets entrusted to the credit union, as well as a loan policy restricted largely to small-scale animal husbandry and improved farm management. Once the lending limits had been fixed, repayment schedules were established to take account of the seasonality of farm revenues.93

The simplicity of the functioning of the small institute at Loreggia, the positive results achieved from the moment it opened, and Wollemborg’s ability to publicize them, led to rapid emulation of this type of organization in the Italian countryside, and especially in Veneto and Friuli. At the end of 1887, only five years after the advent of rural cooperative credit in Italy, fully 34 credit unions were in operation: 30 of them in Veneto and Friuli, while the provinces of Florence, Caserta, Cuneo and Como had one each.94

However, it was precisely this flourishing that made some form of coordination necessary. Although the first rural credit unions had been able to count on the support of other cooperatives operating mainly in the consumption sector, and also that of certain people’s banks,95 it now seemed prudent to endow them with a promotion and coordination body, as envisioned by Raiffeisen. When in the

94 G. Micheli, Le casse rurali italiane. Note storico-statistiche con appendice sulle banche cattoliche d’Italia, Parma, 1898.
Rheinland the *Darlehenskassen-Vereine* had grown to substantial numbers, Raiffeisen has created second-level organizations responsible for protecting them, liaising among them, and conducting periodic reviews of their accounts.\(^{96}\) Wollemborg began to move in the same direction. In 1887 he set about establishing a *federation of Italian rural credit unions*, which, as he wrote in his periodical, was to be a *consortium which coordinates the Italian rural credit unions as a single moral representative body*.\(^{97}\)

But the response to Wollemborg’s initiative must have been rather lukewarm, given that fully seven years passed before agreement was reached on how the federation should operate.\(^{98}\) Thereafter – despite a certain deviation from Raiffeisenian ‘orthodoxy’ in the province of Parma, where credit unions were created under the direct sponsorship of local savings banks\(^{99}\) – the federation began to promote a standardized model of the credit cooperative which fully complied with Raiffeisen’s principles.

In the meantime, two significant novelties had emerged: the first was the increasing efficiency of the small credit unions, which were now proliferating across the country; the second, even more significant, was the growing endorsement of Raiffeisen’s mission by the Catholic movement, and commitment to its large-scale implementation in every part of Italy.\(^{100}\) As regards the first development, the success of the rural credit unions was due to the fact that, notwithstanding rural Italy’s traditional suspicion of novelty, the peasants rapidly came to realize that the credit unions were truly at their service. They soon understood the benefits accruing to them from simplified procedures for access to long-period loans. The availability


\(^{97}\) Wollemborg’s intention was to create a *publicity agency, a study centre, an instrument of protection and supervision, a means of reciprocal guarantee, and an advisory office* (L. Wollemborg, *La Federazione fra le casse rurali italiane*, in: «La cooperazione rurale», IV (1888), n.1).

\(^{98}\) Even after the federation’s congress of 1895, which seemingly revitalized the organization, it continued to languish, and had to be refounded in 1907 during the congress of the people’s banks. It then burgeoned in 1914 with the foundation of the *Banca Nazionale delle Casse Rurali* (P. Cafaro, *La solidarietà efficiente*, op.cit., pp. 49-70).


\(^{100}\) A. Leonardi, *Dalla beneficenza al mutualismo solidale*, op.cit., pp. 579-583.
of small loans – a sort of microcredit – for the purchase of cattle, rather than stocks or for expansion, was perceived by the most vulnerable farmers as means to achieve real improvements in their circumstances.101

This concern for the weakest members of rural society heightened the interest of Catholics in the credit union system. Given that the Raiffeisenian model had been promoted in Italy by a man of such firm philanthropic convictions as Leone Wollemborg, it could not escape the notice of the local Catholic communities that Raiffeisen’s entire cooperative system was evangelical in inspiration. Of course, interconfessional dialogue was not particularly open at that time, especially in the country’s monolithically Catholic rural areas. However, the values expressed by both Raiffeisen’s theory and its practical applications, and the social and moral elevation that cooperation was intended to achieve through the Christian ideal of loving one’s neighbour, enthused the Catholic organizations most concerned with social issues, priests in particular. Moreover, the fact that moral improvement was combined with the economic regeneration of rural areas was especially stimulating to those members of the Church in search of a non-divisive solution to the ‘social question’.102

The commitment of the ‘Catholic movement’ to cooperative credit

The already-established contacts, not only between Italians of liberal and moderate persuasions, but also by catholics, with the economic realities of Mitteleuropa and, likewise, with the ‘novel’ private-collective organizational forms such a reality was known to represent, now became rather more frequent. A bridging function was also performed by Italian territories ruled by the Habsburg monarchy, which ‘transmitted’ economic and social developments in Germany to nearby regions in the Kingdom of Italy.103 Moreover, the climate of constant reference to the

103 A. Leonardi, Origini, sviluppo e prospettive del credito cooperativo in una regione alpina di frontiera, in: Le prospettive del credito locale tra internazionalizzazione dei mercati ed Europa
principles of Christian brotherhood, amid which the cooperative idea was now
developing apace among the Italian public, could not fail to attract the local
clergy.\textsuperscript{104} The concern shown by the most conscientious sections of Italian
Catholicism for the ‘social question’ was aroused by the principal Catholic
organization of the time: the ‘\textit{Opera dei Congressi}'.\textsuperscript{105}

The first to follow in the direction marked out by Wollemborg was a village priest
working in the rural Venetian hinterland: Luigi Cerutti.\textsuperscript{106} In 1891, Cerutti had the
rural credit union of Gambarare in the province of Venice (founded in the previous
year) assume the form of Italy’s first ‘Catholic’ credit union.\textsuperscript{107} Thereafter credit
cooperation spread through the Italian countryside with a rapidity incomparably
greater than before. The so-call ‘confessional turn’, indeed, imparted astonishing
impetus to the diffusion of credit unions in Italy.

Various interpretations have been given to the phenomenon, most of them
political.\textsuperscript{108} Only recently, without gainsaying ideological and political factors,
analysis has been made of the profound economic significance of this

\begin{footnotesize}
delle regioni, Saint Vincent, 1996, pp. 1-25; Id., \textit{Wirtschaftskrise und genossenschaftliche
Region», II (1993), pp. 81-126.
\textsuperscript{104} Particularly useful for understanding why the clergy undertook to promote cooperation –
outside the Kingdom of Italy but nevertheless in an Italian area – may be the work of A.
Leonardi (a cura di), \textit{Lorenzo Guetti. Un uomo per il Trentino}, Trento, 1998 and particularly the
studies of: S. Visintainer, \textit{La dimensione pastorale nell’opera di don Lorenzo Guetti}, ivi, pp. 45-
51; S. Zaninelli, \textit{La dimensione etica dell’agire sociale di Lorenzo Guetti}, ivi, pp. 167-175; A.
Leonardi, \textit{Il ruolo di Lorenzo Guetti nella scelta cooperativa del Trentino}, ivi, pp. 179-204.
\textsuperscript{105} A. Gambasin, \textit{Il movimento sociale nell’Opera dei congressi (1874-1904). Contributo per la
op.cit.
\textsuperscript{106} S. Tramontin, \textit{La figura e l’opera sociale di Luigi Cerutti. Aspetti e momenti del movimento
\textsuperscript{107} S. Tramontin, \textit{La prima cassa rurale cattolica}, in: «Bollettino dell’Archivio per la storia del
movimento sociale cattolico in Italia», IX (1974), 1, pp. 95-107
\textsuperscript{108} M.G. Rossi, \textit{Movimento cattolico e capitale finanziario: appunti sulla genesi del blocco
clerico-moderato}, in: «Studi storici», XIII (1972), n. 2; Id., \textit{Le origini del partito cattolico.
Movimento cattolico e lotta di classe nell’Italia liberale}, Roma, 1977; E. Franzina,
\textit{Intransigenti e clerico-moderati nella società veneta di fine Ottocento}, in: \textit{Movimento cattolico
e sviluppo capitalistico}, Venezia, 1974, pp. 56-60; S. Lanaro, \textit{Società civile, “mondo”
cattolico” e Democrazia Cristiana nel Veneto tra fascismo e postfascismo}, in: M. Isnenghi, S.
Lanaro (a cura di), \textit{La Democrazia Cristiana dal fascismo al 18 aprile}, Venezia, 1978.
\end{footnotesize}
development.\textsuperscript{109} It therefore warrants brief discussion. Wollemborg had always kept faith in his Loreggia scheme, and all the others to which it gave rise, with Raiffheisen’s doctrine. He never contemplated changing the liability of the members of his credit unions from unlimited to limited. This, he believed, would have been the first step towards transformation of the credit unions into people’s banks.\textsuperscript{110} However, a particularly strong spirit of cohesion was necessary to hold together a membership consisting mainly of owner-occupiers, tenant farmers and sharecroppers, but also some members of the rural middle class. Though this could only derive from a sense of shared commitment, also required was the stronger bond constituted by firm governance exercised in a strictly local setting.

Pietro Cafaro has recently pointed out that a loan association without starting capital had perforce to involve only members tied together by quasi-familial bonds. Only in this way could it mobilize the small-scale resources produced in a rural community. It had to prevent hoarding and select the creditworthy, but follow every loan from the moment of its issue to its repayment. Errors were not permissible, given the credit union’s lack of share capital and the exiguity of its reserves.\textsuperscript{111} By operating in this way and by rigorously complying with the articles of association, Raiffeisen had shown that even in marginal areas it was possible to undertake virtuous initiatives to improve the welfare of rural communities. In some of the credit unions, however, a problem which had given rise to fissures began to manifest itself. This problem had to be rescued (immediately) for the fissures to be prevented from developing themselves into an abyss. The problem was linked to certain types of internal conflicts among some stakeholders which could have led to a weakening of the solidarity between members of a credit union.\textsuperscript{112}

\textsuperscript{109} P. Cafaro, \textit{La solidarietà efficiente}, op.cit., pp. 93-115.
\textsuperscript{111} P. Cafaro, \textit{La solidarietà efficiente}, op.cit., pp. 77-82.
\textsuperscript{112} Emblematic is the casse of the Gambarere credit union, where only a few months after its foundation in 1890 conflict arose between some members belonging to the local petite bourgeoisie and others from the farming community (S. Tramontin, \textit{La prima cassa rurale cattolica}, op.cit., pp. 95-107; Id., \textit{L’opera pastorale e sociale di mons. Luigi Cerutti}, Venezia, 1985).
It was indispensable to find some element that would give greater cohesion to the membership of a credit union. It was with this purpose in mind that Luigi Cerutti undertook his social action. Cerutti, as well as many other members of the clergy and Catholics in the Italian areas still ruled by the Habsburgs,\textsuperscript{113} had become convinced that membership of the Christian community of a particular parish should be an indispensable requisite for permission to join a credit cooperative. The members of a credit union, that is, should share the same mentality and values.

The idea therefore gained ground that membership of the \textit{parish community} should be an additional guarantee for all members of a credit institution based on unlimited liability, given that they would thus all have the same world view. Because each associate, according to the statute formulated by Raiffeisen, was financially liable for the initiatives undertaken by the credit union, membership of the Catholic community came to represent – regardless of ideological considerations – a precaution against any possible risk incurred by the society.\textsuperscript{114}

Hence, there were only two options available to avert the danger of splits in the memberships of small credit unions, these being due also – as mentioned – to the controversy between Risorgimento liberalism and the Catholic Church. One option was to ask members to contribute capital and forgo unlimited liability, so that the credit union would lose its Raiffeisenian physiognomy and become a people’s bank. The other option, which was the one advocated by Cerutti and numerous other priests, was to restrict membership to farmers who shared the values of the Catholic parish community.


\textsuperscript{114} A. Leonardi, \textit{Credito cooperativo e società locale}, op.cit., pp. 79-82.
The unity of intent between moderate liberals and Catholics that had hitherto characterized Wollemborg’s credit cooperatives broke down, and the ‘confessional criterion’ took over. The by-laws of credit unions in which Catholics predominated, and those of new ones founded by Catholics, explicitly stipulated the faith of their members.

However, far from marking a moment of difficulty for cooperative credit, the united stance taken by the Catholics had the effect of strengthening the ‘confessional’ credit unions, which were made more efficient by the homogenization of their memberships. They acquired greater compactness in the circulation of information and exercise of control over their activities, and although they lost the support of their Federation (anyway indecisive), they gained that of the formidable organizational network constituted by the Opera dei Congressi.

The ‘explosion’ of new credit unions after 1892 was not even remotely comparable to the nevertheless substantial growth recorded between 1883 and 1891, as Giuseppe Micheli, one of the leaders of the ‘confessional’ cooperative credit movement, emphasised in a statistical survey published in 1898. Whereas in the 8 years following the creation of the Loreggia cassa rurale a further 57 credit unions inspired by Wollemborg were created, between 1892 and 1897 alone fully 779 ‘Catholic’ ones were opened, and 12 already-established ones passed from Liberal to Catholic control. And this was only the beginning of their proliferation. The parting of the ways between ‘neutral’ and ‘Catholic’ cooperative credit institutions signified the decline of the former and the rapid growth of the latter. Indeed, in the year when Italy entered the First World War there were 2,594 legally registered credit unions in the country, 77.2% of which were ‘confessional’.

115 P. Cafaro, La solidarietà efficiente, op.cit., pp. 104-105
117 G. Micheli, Le casse rurali italiane. Note storico-statistiche con appendice sulle banche cattoliche d’Italia, Parma, 1898.
The reason for this success was undoubtedly the greater compactness ensured by a membership united – as mentioned – by a shared *Weltanschauung*, the latter being further fuelled by greater social awareness among Italian Catholics. This awareness had developed in parallel with the spread of the Christian-social movement, which after its foundation in the mid-nineteenth century in Mainz by Bishop Wilhelm Ketteler, had gradually spread through the rest of Europe.\(^{120}\) Then, in the last decade of the century, the promulgation by Pope Leo XII of the encyclical ‘Rerum novarum’ further strengthened the commitment of Catholics, and the clergy in particular, to cooperation. Because the country priests lived side-by-side with the peasants, they often shared their hardships, and because they too ultimately suffered the pressing problems of the rural world, in many cases they voiced the grievances of their flock.\(^{121}\) Thus it was that numerous priests grew convinced that the cooperative system devised by Raiffeisen could be easily adapted to the Italian countryside, and they became the leading artificers of cooperation, first in Veneto, then in northern Italy, and finally throughout the peninsula as far as Sicily.\(^{122}\)


Veneto, which had been the cradle of Italian cooperative credit, was the region most prolific in the creation of new credit unions. It was followed by Emilia, Lombardy and Piedmont, although significant numbers were also recorded, in the first fifteen years of the twentieth century, in the central and southern regions, especially Sicily. In every region of the country, the committed endeavour of the Catholics brought hope to rural communities that had rarely attracted the attention of social reformers. And in this endeavour they flanked an indubitable moral impulse with a commitment that transferred from the economic and social sphere to broader domains.

Interest in Raiffeisenian mutualism was further reinforced by realization that the credit unions were the first step towards a more complex mutualist and solidarist organization, which, although still inspired by cooperation, would perform a rationalizing role in numerous branches of the rural economy.

The ‘Catholic’ credit unions derived their competitive advantages from their opportunity to rely, on the one hand, upon the organizational structure of the Opera dei Congressi, and on the other, on the parish community, with its hierarchically organized social structure and homogeneous culture. In effect, the years in which the Opera dei Congressi was most dynamic coincided with marked expansion of the credit unions.

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124 L. Trezzi, Sindicalismo e cooperazione dalla fine dell’Ottocento all’avvento del fascismo, Milano, 1982.
125 See on this L. Gheza Fabbri, Solidarismo in Italia fra XIX e XX secolo. Le Società di Mutuo Soccorso e le Casse Rurali, Torino, 1996.
126 A faithful mirror of the dynamism of the ‘Catholic’ credit unions was the periodical La cooperazione popolare founded by Luigi Cerutti and published between 1894 and 1925.
Catholic cooperative credit system. When, however, at the beginning of the new century, irremediable splits opened up within the Catholic movement, and led in 1904 to suppression of the \textit{Opera} by Pius X,\footnote{A. Canavero, \textit{I cattolici nella società italiana}, op.cit.} the cooperative credit system was inevitably affected.\footnote{S. Zaninelli, \textit{Introduzione}, in: P. Cafaro, \textit{La solidarietà efficiente}, op.cit., pp. XIX-XX.}

Nonetheless, the intermediation activities of the credit unions were still facilitated by the fact that they could count on reciprocal knowledge among all their members, who shared the same objectives. The savers who used the rural credit unions were also their members, and the beneficiaries of the institute’s activities, too, were its members, who had an evident interest in protecting a collective undertaking in which their livelihoods were at stake.\footnote{P. Cafaro, \textit{Banche popolari e casse rurali tra ‘800 e ‘900}, op.cit., pp. 53-54.} Although this was a stimulus to extend the system to all communities in which there existed a group of farmers willing to work together to improve their lot, there was a weakness inherent in the modest size of individual credit unions. This weakness had been identified by Raiffeisen himself, and to obviate its harmful effects he had decided that it was opportune – and then obligatory – to aggregate individual cooperatives under umbrella organizations responsible for their coordination and promotion. He accordingly created regional federations to fulfil the former function, and central clearing houses to fulfil the latter.\footnote{F.W. Raiffeisen, \textit{Die Darlehenskassen-Vereine in Verbindung mit Konsum-, Verkaufs-, Winzer-, Molkerei-, Viehversicherungs-Genossenschaften sowie den dazu gehörigen Instruktionen als Mittel zur Abhilfe der Noth der ländlichen Bevölkerung: praktische Anleitung}, Neuwied, 1883. On the development of second-level institutions see W. Koch, \textit{Der Genossenschaftsgedanke Friedrich Wilhelm Raiffeisens als Kooperations-Modell für die moderne Industriegesellschaft}, Paderborn - Würzburg, 1991.}

However this important undertaking encountered several problems connected with the social cleavages present in the country and conflict within the Catholic movement, which hampered any endeavour jointly to coordinate ‘neutral’ and ‘confessional’ institutes. Moreover, although it was realized that the advantages of small size could be reduced by a lack of coordination, disputes between the intransigent Catholic old guard and the young Christian Democrats made it difficult
to establish a clearing house even for the ‘confessional’ credit unions. In fact, in May 1896 Luigi Cerutti and Giuseppe Micheli had founded the *Cassa Centrale delle Casse Rurali Cattoliche* in Parma, but this never fully performed the functions of a central bank for the credit cooperatives because it was able to aggregate only a small number of them.\(^{131}\) The reason for this substantial failure was an inability to substitute a national coordinating body for a close-knit system of relationships created at local levels, on a largely diocesan scale, where the point of reference for the rural credit unions was usually a ‘Catholic bank’ organized in the form of a people’s bank.\(^{132}\) Consolidated local relationships and the impossibility of finding a way to coordinate institutions of Catholic inspiration impeded achievement of the goal of giving autonomy and solidity to numerous small institutes, even though they shared the same confessional principles.\(^{133}\)

It therefore proved impossible to create a central clearing house which, by coordinating institutes operating in similar economic circumstances, could have solved the problems of rural credit banks which in the course of a financial year might find themselves with both a shortage and a surplus of liquidity, according to the season. Nevertheless, this failure did not deter efforts to create the other coordination body envisaged by Raiffeisen: a federation of credit unions which would furnish them with protection, representation and promotion. Neither in this case, however, was the process straightforward, given that fully five years elapsed between the business plan drawn up for the federation in 1909\(^{134}\) and its actual creation. Only in December 1914, in fact, did the *Federazione Italiana delle Casse Rurale Cattoliche* begin operations in Bologna.\(^{135}\) Its aim was to impose a ‘confessional’ form on the rural credit unions, given that any sort of dialogue with

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the ‘neutral’ component of the cooperative credit system had proved impossible, and to create a genuine movement with a political ‘voice’. In fact, the Catholic credit unions had hitherto lacked any real political representation. By contrast the small Wollemborgian banks, although they were numerically insubstantial, had considerable political weight, even in parliament, and in May 1914 they had been able to set up a clearing house – the Banca Nazionale delle Casse Rurali Italiane – which although relatively small, was able to stand as an emblem for ‘neutral’ credit cooperation.

Instead, standing in no direct relationship with the small cooperative credit institutes was the Istituto Nazionale di Credito per la Cooperazione, founded on 9 June 1913 on the initiative of a group of savings banks and banking institutions to finance production and consumption cooperatives mainly in the agricultural and building sectors.

Hence, although it cannot be considered a monolithic whole, cooperative credit had a significant presence in the Italian credit intermediation system. It was important not only in numerical terms, in that the credit unions (as single-counter institutes) were certainly the most widespread banks in the country, but also because they were crucial actors in Italy’s agricultural economy. According to a survey carried out by the Federazione Italiana delle Casse Rurali, in 1915 fully 2,594 rural credit units were operating in Italy: 2,002 – 77.2% - defined as ‘Catholic’, 299 – 11.5% - as ‘neutral’, and 293 – 11.3% - as ‘unclassified’. The region in which the rural credit unions were most numerous was Veneto, with 473 small institutes. Veneto, with 436 Catholic credit unions, also headed the table of ‘confessional’

141 More than thirty years after the birth of the rural credit union of Loreggia, Veneto, the cradle of credit cooperation, both ‘neutral’ and ‘confessional’, still was the region with the highest rate of concentration of cooperative credit institutes.
banks, followed by Emilia Romagna with 336, and Sicily with 240. These three regions also occupied the top three places in the table of the overall distribution of cooperative credit institutes. The region with the largest number of ‘neutral’ and ‘unclassified’ credit unions was Sardinia, with respectively 72 and 110 small institutes out of a total of 191. Some 50.4% were located in the northern regions, 14.6% in the central regions, 14% in the South, and 21% in the Islands.

What did this massive diffusion of cooperative credit signify? Despite a lack of analyses able to furnish an accurate picture of the weight of the rural credit unions in the credit intermediation system, it is possible to gain some idea of their role in the Italian economy in the years leading up to the First World War. In 1913 a government statistical survey revealed that cooperative credit accounted for a relatively small proportion of the savings deposits in the country’s banks: just 1.39% of the total in 1912. This figure might be interpreted as indicating the insignificance of the rural credit unions, but in fact it does not minimize their role. Instead, it highlights their importance, because it demonstrates that such saving was undertaken exclusively by the weakest economic actors in the rural world.

Savings books, which normally constituted the liabilities of these institutes, represented (in that they yielded a modest return) valorization of the many modest resources that could be collected in the countryside among small farmers who would never be of interest to the banking system. Moreover, loans, which generally took the form of discount bills, made up the largest proportion of bank outgoings. They were initially intended mainly to raise livelihoods above subsistence level in areas traditionally plagued by usury. They then evolved into support for production, and

142 Elenco delle casse rurali, op.op.cit..
143 Annali del credito e della previdenza, vol.II, t.2, Notizie statistiche sul risparmio in Italia negli anni 1911 e 1912, Roma 1913. Just over 7 billion lire were deposited in the banking system in 1912: 36% in savings banks, 27% in the post office savings bank, 16% in people’s banks, 9% in mixed banks, 6% in ordinary banks, 2% in state pawnshops. See also P. Cafaro, La solidarietà efficiente, op.op.cit., pp. 212-213.
therefore for the purchase of livestock or agricultural machinery and supplies, but not infrequently for small artisan and commercial businesses.\textsuperscript{145}

During the years of the \textit{belle époque}, therefore, the rural credit unions formed the essential bases for every initiative aimed at rescuing broad sections of the rural population from marginalization. According to the project pursued by Leone Wollemborg and in more widespread wrap by the cooperatives of Catholic origins, support from cooperative credit should have rationalized the rural production system, removing numerous small farmers from the state of economic, and consequently social isolation, in which they were confined by their inability to operate efficiently in the market. In other words, the credit instrument, managed according to mutualist criteria in a context of joint solidarity, proved especially efficacious in enabling small farm businesses (and also crafts firms) to enter the orbit of a modern productive system.\textsuperscript{146}

For a rural society dramatically afflicted by the problems connected with achieving a minimum level of subsistence – as testified by the immiseration of numerous regions in both the north and south of the country, then provoking massive internal migration, no longer seasonal but permanent,\textsuperscript{147} and manifest in the northern regions in the recrudescence of pellagra\textsuperscript{148} – the availability of cooperative credit offered hope to the weakest members of society.

The proliferation of credit unions in rural areas, as well as their increasing operational incisiveness, galvanized the weak and fragmented energies of peasant society. The outcome in the Italian countryside was significant innovation of the credit system, but in parallel with commercial distribution as well, with the

\textsuperscript{145} P. Cafaro, \textit{La solidarietà efficiente}, op.op.cit., pp.78-92.
\textsuperscript{146} See on this A. Leonardi, \textit{Origini, sviluppo e prospettive del credito cooperativo}, op.op.cit., pp. 1-25.
\textsuperscript{148} See G. Coppola, \textit{Il mais nell’economia agricola lombarda dal secolo XVII all’Unità}, Bologna, 1979, pp. 113-134.
consequent improved allocation of resources in areas traditionally considered marginal to development.\textsuperscript{149}

The significant increase in the liabilities of the cooperative credit institutes, as reported by the few statistical surveys available,\textsuperscript{150} was almost entirely due to increased deposits, and on the eve of the First World War it was a significant indicator of the greater economic buoyancy of the localities in which credit unions operated. Whilst in some situations this growth may have been due to remittances by emigrants, for the rural Italian world as a whole it can only be explained by the general improvement in the living conditions, and consequently in the capacity to save, of the farming community. And precisely the fact that increasing amounts of small saving was diverted away from hoarding, and even more so from investments outside the area of its formation, was of especial significance for the Raiffeisenian credit unions.\textsuperscript{151}

There was also a significant growth of lending, with evident reference to both credit and finance. The former, as mentioned, took mainly the form of small mortgages meeting the demand for the credit required to improve and rationalize the management of small farming and artisan enterprises. The latter was not significantly used to purchase bonds – almost invariably state securities – but rather to finance other cooperatives or municipalities themselves. It is thus evident that the rural credit unions accumulated savings with the intent of keeping them in the countryside to meet the most urgent needs of the small farm businesses.\textsuperscript{152}


\textsuperscript{150} On this see P. Cafaro, \textit{La solidarietà efficiente}, op.op.cit., pp. 214-220.


Evolution of the organizational structure during the war and the post-war period

Although the war and events during the post-war period did not interrupt the activity of the Italian credit unions, they certainly altered its nature. Inflation, war profits and post-war reconstruction were all factors able to increase bank deposits, but they were not off-set by adequate investments. The credit system, however, was not uniformly affected by these factors (which were in any case transitory). Hence also the rural credit unions, which certainly did not participate in the management of surplus war profits, saw their deposits significantly increase. The executives of Italian cooperative credit institutions found themselves having to divert profits into bond purchases and inter-bank deposits, a phenomenon which culminated in 1921.

The Italian cooperative system, in all its variants, underwent marked expansion during the period. Significant impetus was imparted to the numerical growth of the various types of cooperatives, as well as to the birth of new enterprises, by the inclusion among cooperatives of societies operating in the ‘new provinces’, where they had come into being under the Habsburg legal and institutional system. This was anything but a marginal phenomenon, given that the Trentino-Alto Adige region

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154 P. Cafaro, La solidarietà efficiente, op.cit., pp.253-257.
had the largest concentration of cooperatives in Europe,\textsuperscript{158} and the Giulia region was significantly well endowed as well.\textsuperscript{159} As regards cooperative credit alone, the former region had 282 Raiffeisenian social credit unions,\textsuperscript{160} while the latter had 2004, of which 113 operated in rural areas of Slovenia.\textsuperscript{161}

In the meantime, the organizational structure of the cooperative credit system had undergone a number of changes of considerable importance. On the initiative of Luigi Luzzatti, and with the intervention of first Giovanni Giolitti and then Francesco Saverio Nitti, the \textit{Istituto Nazionale di Credito per la Cooperazione} had been founded in 1913, and in 1929 took the name of \textit{Banca Nazionale del Lavoro}.\textsuperscript{162}

One of the principal purposes of the bank was to provide financial support for cooperative enterprises. The success of the endeavour was mixed, however: the institute was never able to convert itself – though in truth this was never among its declared objectives – into a reference bank, and even less so into the central bank for the Italian rural credit unions.\textsuperscript{163} Then, in 1919, on the initiative of the \textit{Federazione delle Banche}, which had been created in 1914 to coordinate the cooperative credit institutes and the Catholic people’s banks, the \textit{Banca del Lavoro e della Cooperazione} was founded. This institute should have provided inter-cooperative


\textsuperscript{160} A. Leonardi, \textit{L’azione cooperativa di fronte al processo di modernizzazione economica: il caso del Trentino e Tirolo meridionale}, in: \textit{Rivista della cooperazione}, n.s. N. 26 (1986), pp. 11-54

\textsuperscript{161} F. Bof, \textit{L’area friulana e giuliana}, op.cit., p. 294; M. Waltrisch, \textit{Le casse rurali friulane}, op.cit., p. 204.

\textsuperscript{162} V. Castronovo, \textit{Storia di una banca. La Banca nazionale del lavoro nell’economia italiana (1913-2003)}, Torino, 2003, pp. 3-73. A legislative decree of 19 May 1927 gave it the denomination \textit{Banca Nazionale del Lavoro e della Cooperazione}, while with a decree law of 18 March 1929, which declared it a state-owned bank, it became the \textit{Banca Nazionale del Lavoro} (ivi, pp. 103-115).

\textsuperscript{163} On the difficult relationships between the BNL and the \textit{casse rurali} see the documentation produced by the Bank of Italy inspectors and reported in A. Leonardi, \textit{Una stagione «nera»}, op.cit., pp. 199-330.
financing, but it never effectively dealt with the difficulties of financing the various cooperative banks; nor was it able to create a close relationship with the rural credit unions, which instead maintained (albeit sporadically) relationships mainly with the local banks, especially the Catholic ones. Thus, when in 1923 the Banca del Lavoro e della Cooperazione was liquidated, this did not cause the demise of numerous small institutes, because they had limited relations with the bank. Nevertheless, several rural credit unions, especially in Lombardy, which had deposited large amounts of liquidity with the Banca del Lavoro e della Cooperazione, suffered heavy losses. This was the first important signal that the post-war expansion was moving into reverse.

During this rather chaotic period from a financial point of view, the credit system seemed oversized with respect to the country’s economic needs. Also the rural credit unions, almost all of which were single-counter institutes, had participated in the expansionary wave through the constitution of new societies. At the beginning of the 1920s the number of small cooperative credit institutes in the country reached its maximum, which despite the unreliability of quantitative surveys can be estimated at more than 3000. Nor, therefore, were the rural credit unions immune from what one of the protagonists of financial affairs at the time called “a banking shambles” which jeopardized the assets of numerous savers. In a climate of fierce competition and of banking improvisation, various credit and finance intermediaries collapsed,

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164 A. Caroleo, Le banche cattoliche dalla prima Guerra mondiale al fascismo, Milano, 1976, pp. 41-84.
167 The figures for the early 1920s vary from the 2,594 rural credit unions surveyed in 1915 – to which should be added, in 1919, the 486 institutes in the ‘new provinces’ – and the total of 3,080 of the immediate post-war years (C. Bolzoni, Le casse rurali italiane, in: «Rivista internazionale di scienze sociali e discipline ausiliarie» , XXXI (1923), XII; E. Ruggieri, Le casse rurali ed artigiane italiane ottanta anni dopo la loro nascita (1883-1963), Cosenza, 1964.). For an overview see S. Agnoletto, Movimento cooperativo e cooperazione cattolica: alcuni dati quantitativi, in: S. Zaninelli (a cura di), Mezzo secolo di ricerca storica sulla cooperazione, op.cit., vol.II, pp. 877-894.
168 The expression was used by Alberto De Stefani, Minister of Finance in Mussolini’s government from 1922 and 1925 (A. De Stefani, Baraonda bancaria, Milano, 1960).
and although some of them were saved – most notably the *Banco di Roma* — numerous others were forced into liquidation, causing huge difficulties for large and small economic operators.\(^\text{170}\)

In September 1918, the *Confederazione Cooperativa Italiana* was founded to coordinate the Catholic cooperative enterprises, and with the specific objective of representing them in relations with the institutions.\(^\text{171}\) It was joined by the *Federazione delle Casse Rurale*, which had been particularly active in the standardization of the by-laws of individual credit unions and their representation to parliament and the government, in order to obtain improved operating conditions. However, the political climate in the country was changing, and after the tumultuous years immediately after the war, which had nevertheless seen increased democratic participation in the workings of the institutions,\(^\text{172}\) an authoritarian shift was taking place.\(^\text{173}\) With the advent of Fascism and its transformation into a regime, policies on cooperation – including credit cooperatives, which were subject to the tensions characteristic of all credit institutions – radically changed.

In effect, although the Fascist regime’s policy in regard to cooperative organizations, and the credit unions in particular, was formally favourable to them, in fact it sought to alter their mutualist and solidarist nature.\(^\text{174}\) The regime adopted a *dirigiste* stance towards the rural credit unions, its aim obviously being to transform

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them into credit institutes of the same nature as all the others, and to remove the rootedness in the local community that constituted their principal strength.\textsuperscript{175}

Decree no. 1830 of 16 November 1926 on savings protection lumped the rural credit unions together with all other savings and loans banks under the title ‘credit institutions’ and brought them under the control of the Central Bank. But it was law no. 656 of 6 June 1932 that profoundly changed the structure of the rural credit unions, transforming them almost entirely into banks like any others, though with a restricted ranges of operations. They could also do business with non-members, but they lost their financial independence. They were permitted to use their deposits solely for the purposes stipulated by the national law. A maximum of 25\% of deposits could be used as loans to members,\textsuperscript{176} while all the rest went in some form or other to the advantage of the Treasury, or of institutes acting on its behalf. The rural credit unions were obliged to place 10\% of their fiduciary deposits with the Central Bank, the \textit{Banca Nazionale del Lavoro}, the \textit{Istituto di Credito Agrario} or the savings banks. In compensation, the credit unions could undertake correspondence services with the Central Bank or other institutes, furnish collection services, and issue cheques and bank money orders, although these were still Central Bank instruments.

The Fascist legislation largely emptied the Raiffeisenian cooperative movement of its original spirit. The voluntary and gratuitous cooperation undertaken to achieve community growth was gradually replaced by an organization motivated by utilitarian criteria alone. The members of the rural credit unions found themselves dealing with organizations whose structure was apparently the same as it had always been, but which in fact had radically changed in nature. Indeed, numerous members began to harbour suspicions towards their societies because of the fading of their original mutualist and solidarist spirit and their concomitant shift to ‘political’


\textsuperscript{176} Article 12 of law no. 656 of 6 June 1932 stipulated as follows: \textit{The above-stated societies (the rural credit unions and agricultural banks) are permitted, provided they be so allowed by their statutes, to undertake ordinary credit operations amounting to no more than 25\% of their liabilities.}
purposes alien to the traditional political culture of the farming community. The changes under way, moreover, were promoted by a rhetoric entirely incongruous with the peasant lifestyle and obviously driven by interests external to the cooperative sphere.

Amid severe difficulties for the country’s entire banking system, the second half of the 1920s saw a marked curtailment of cooperative credit. In many cases, this was a direct consequence of the collapse of the local Catholic banks on which the majority of the credit unions in the country relied. And then a series of insolvencies among regional banks caused severe financial difficulties for the numerous rural credit unions which had traditionally entrusted their surplus deposits to those institutes. It consequently became evident that, in the absence of an adequate coordination system and technical guidance, the rural credit unions were liable to suffer irreparable damage.

In the meantime, Fascism was engulfing every variant of Italian cooperation, according to a scheme which divided into various phases. The first involved elimination of the manifold forms assumed by Italian cooperatives, and in parallel its organizational and ideological incorporation into the regime, following the purging of organizations of socialist and Catholic inspiration. The regime’s intention was then to retrench the cooperation system, expand the social base of cooperatives, and enhance branches functional to its political and social ends. Finally, the regime intended to endow the cooperative movement with a legislative and bureaucratic apparatus which would fully serve its own purposes.

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183 Ibid. p. 206.
The fact that after September 1926 the rural credit unions were incorporated into a national organization entitled the Associazione Nazionale tra Casse Rurali, Agrarie ed Enti Ausiliari and that in the same year a central financial institute, the Credito Federale Agricolo,\(^\text{184}\) was set up to serve them, did very little to improve their efficiency.\(^\text{185}\) Nor was the identitarian structure of Catholic cooperative credit protected against the hegemonic intentions of the Fascist regime by the mass enrolment of the rural credit unions with the Istituto Cattolico di Attività Sociali.\(^\text{186}\) By now a project was in progress to replace the voluntarism and the choice of a shared pact proper to Catholic doctrine with a compulsory system, and this within a framework of total and authoritarian corporativism.\(^\text{187}\)

Then, when royal decree 1989 reforming the credit union system was promulgated on 17 October 1935, the regime accelerated its reorganization of the casse rurali. The decree gave the savings banks responsibility for supervising and inspecting the rural credit unions, and thus effectively enacted the subordinacy of the latter. The decree also provided that boards of directors and auditors must include an active and a deputy representative, and an active and a deputy auditor, nominated by the local savings bank, who would revise the annual statement before its submission to the members for approval. The relationship between the savings banks and the rural credit unions inevitably became highly ambiguous, and in which the credit unions had inferior status. Because the reference banks for the small cooperative credit banks had disappeared, their role could only be performed by the local savings banks. But these were also institutions of control, and, moreover, they opened branches in areas in which credit banks were already operating, and in competition with them.\(^\text{188}\)

\(^\text{188}\) See on this A. Leonardi, *Una stagione «nera»*, op.cit., pp.195-197.
This anomalous situation did not last long, however, for less than one year after the promulgation of royal decree 1989 of 12 March 1936, royal decree no. 375 was issued to regulate the savings and loans system, to be then supplemented by royal decree no. 1400 of 17 July 1937, which further altered the organization and control of the managements of the cooperative credit institutes. The rural credit unions were specifically regulated by law no. 1706 enacted on 26 August 1937, which defined the functions of the entire credit system as being “in the public interest”. An organ of the state denominated the Ispettorato per la Difesa del Risparmio e per la Disciplina della Funzione Creditizia and headed by the governor of the Bank of Italy was consequently created to supervise all the country’s credit institutions. This in its turn was converted into a state-owned bank with interdiction on relationships with private agents and dependent on a specific committee of ministers. Hence the Ispettorato per la Difesa del Risparmio took over supervision of the rural credit unions from the savings banks, and the anomaly decreed two years previously was thus removed.

The rural credit unions during the ‘Great Depression’

It was therefore within a normative and organizational situation traversed by profound and radical changes that the small cooperative credit institutes found themselves having to cope with the financial difficulties caused by the failure of numerous local banks, then by a deflationary crisis, and finally by the ‘Great Depression’.

During the 34th general assembly of the Trentino cooperative banks, Ernesto Gargiullo, director of the Federazione Nazionale delle Casse Rurali, emphasised that the government wants the rural credit banks to live and to grow. It is self-

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190 G. Guarino, G. Toniolo (a cura di), La Banca d’Italia e il sistema bancario, op.cit., pp. 94-97.
191 A. Leonardi, Risparmio e credito in una regione di frontiera, op.cit., pp. 507-509.
evident that it cannot tolerate moth-eaten institutions that labour to survive. These must inevitably disappear.\textsuperscript{192} The haemorrhage had in fact begun, and it certainly did not concern solely the cooperative credit system in Trentino, whose executives Gargiullo was addressing at that time.

A first critical phase had coincided with the already-mentioned failure of numerous local banks between 1921 and 1923, and it proceeded until the enactment of the banking law of 1926 which, for the first time in Italy, subjected all the credit institutes to special vigilance and control by the Bank of Italy.\textsuperscript{193} From 1927 onwards, central bank surveys furnish quantitative data which accurately depict the collapse of cooperative credit during the period.

A second factor that impacted negatively on the Italian credit system in its entirety, and therefore also on the rural credit unions, was the radical deflationary manoeuvre undertaken by the government in order to stabilize the lira by means of massive revaluation. In a country like Italy where, despite the progress brought by industrialization rural areas were still of extreme importance, the fall in prices caused an evident deterioration in the economic conditions of the farming population, unable to withstand a market with decreasing returns. In parallel with the deflationary crisis, moreover, the demise of various banks on which the rural credit unions relied had damaging repercussions.

After 1928, the combined impact of these difficulties provoked a slump in Italian cooperative credit, which henceforth saw a progressive decline in the number of institutes in operation which only halted after the Second World War. When the first wave of liquidations subsided in 1927, it was followed by the effects of the deflationary crisis and the closure of a growing number of small cooperative banks, a phenomenon which grew to enormous proportions with the advent of the ‘Great Depression’.

The figures depict a veritable massacre. \textit{[TABLE]} As mentioned, between 1928 and 1947 some 67.9\% of the Italian rural credit unions closed down, added to which


was the demise of 65.8% of all the credit and finance intermediaries operating in the country. If one considers that the total number of banks in the country fell from 4,197 in 1928 to 1,434 in 1945 – a decrease of 2,763 units – one must also consider that 58% of the banks that ceased operations consisted of 1,600 rural credit unions.\(^{194}\) Data collected by the *Servizio Vigilanza* of the Bank of Italy even more clearly evince the magnitude of the decline in cooperative credit between the end of the 1920s and the Second World War. In absolute values, in 1929 deposits and savings at the 2,210\(^{195}\) rural credit unions amounted to 1,311.9 billion current lire, whilst in 1937 the amount at the 1,170 in operation had fallen to just 718.7 billion lire.\(^{196}\) Then, in 1942, owing to inflation, savings increased and deposits at the 911 active rural credit unions rose to 1,343.7 billion lire.\(^{197}\) In relative terms, the specific weight of the cooperative credit system, although of paramount importance in rural areas, was inevitably limited compared to the credit intermediation system as a whole. Whilst in 1929 of the 38,393.1 billion lire constituting fiduciary deposits in the overall banking system 3.4% were collected by the rural credit unions, the percentage progressively diminished (TABLE) until in 1942 it accounted for 1.5% of the 842,414 billion lire deposited at the country’s banks.\(^{198}\)

From every point of view, therefore, the cooperative credit system was going through a particularly difficult period. As already emphasised, there were numerous reasons for its retrenchment. They ranged from organizational factors to ones connected with the political-institutional system, which was evidently averse to a

\(^{194}\) Calculations based on annual reports by the Governor of the Bank of Italy: 1927-1945.

\(^{195}\) In truth, the *Servizio Vigilanza* of the Bank of Italy recorded 2,429 rural credit unions, but only 2,210 of them were in operation, because 219 were in the process of settling with creditors on liquidation (ASBI, fondo 23, n.11, fasc.2, sottofsc.1, Relazione di data 3 marzo 1929).

\(^{196}\) In 1937 there were 1,748 registered rural credit unions, but only 1,170 were reported by the *Servizio Vigilanza*. Hence 578 were in liquidation (ASBI, fondo 23, n.13, fasc.4, Relazione per il 1937, marzo 1938). However, according to figures set out in the annual report by the governor of the Bank of Italy, the number of registered rural credit unions was again 1,748, but 1,202 of them were active, so that the number in liquidation was 546 (Relazione 1938, pp. 173-182).

\(^{197}\) With respect to the 911 rural credit unions in operation, there were 1,223 registered, so that 312 were in the process of being liquidated (ASBI, fondo 23, n.15, fasc.2, sottofsc.1, Relazione di data 11 gennaio 1943, Relazione 1943, pp. 150-157).

cooperative system determined to maintain a physiognomy at odds with the regime’s hegemonic intent, as well as being obviously dependent on an economic system which the ‘Great Depression’ was afflicting with one of its severest crises in the twentieth century.

The question arises as to the intrinsic capacities of the cooperative credit system to cope with the combined impact of events which extended beyond a specific economic context to involve Italian society in its entirety and involved in a complex situation even the many small rural communities in which the Raiffeisenian credit unions operated. In other words, it is necessary to verify the efficacy of the organizational and managerial instruments available to cooperative credit to handle a crisis of exceptional magnitude.

Examination of the financial choices made by the rural credit unions during the years of the ‘Great Depression’ shows that they were not distinguished by corporate stability. Proof of this is provided by the collapse of numerous institutes after 1930, which is clear evidence of the excessive indulgence shown by the administrations of the credit unions towards the borrowing requests made by farmers. The deterioration of the economic situation was manifest in sudden falls in prices, wages, employment (and therefore production) in rural areas as well. The inability to sustain productive activity in the presence of lower prices inevitably increased the indebtedness of rural communities. This in turn provoked the tie-up of conspicuous resources of the rural credit unions, which impeded the prompt liquidation of assets in cases of depositor panic and prevented many credit unions from meeting demands for reimbursement.199

The closure of the branches of numerous local and regional banks, as well as the liquidation procedures that ensued, blocked all relationships between these banks and their corresponding institutes.200 Consequently, the monetary means deposited by the rural credit unions at these banks remained unavailable, for even very long periods, while awaiting legal identification of the debts of the institutes undergoing

liquidation and the subsequent settlement with creditors.\textsuperscript{201} Not even the withdrawal by some rural credit unions of deposits made at savings banks, nor the advances (of modest amounts) that the latter were willing to grant, averted the failure of numerous credit unions, both in small villages and relatively large towns.

It is therefore worth investigating the operational mechanisms of the cooperative credit system in order to explain its weaknesses evinced by the series of exceptional economic and financial events that occurred during the ‘Great Depression’.

A first structural weakness in the Raiffeisenian cooperative credit institutes consisted of a factor that had been a strength in their pioneering stage: their willingness to accommodate even members without liquidity. However, their substantial lack of means, and modest assets structure, were undoubtedly a drawback at this particularly critical juncture. Owing to their particular modes of constitution and operation, the rural credit unions were financially ‘light’. They had little capital because subscription fees were purely symbolic, and their reserve funds also tended to be rather short. Corporate analyses have shown that the ratio between shareholders’ equity and deposits was very low, between 2\% and 3\%.\textsuperscript{202} This meant that there was practically nil coverage of lending transactions by shareholder equity, and that the main source of financing – besides loans on current account from other banks – consisted of savings deposits.

Moreover, the credit unions had only limited reserve funds because their annual profits were extremely modest. This was due to the their policy of maintaining narrow margins between their lending and borrowing rates, so that they could extend credit to their members on favourable conditions, while at the same time ensuring the adequate remuneration of deposits. Except in cases of statutory non-compliance, they endeavoured to avoid all speculative operations. Although operating profits


\textsuperscript{202} See on this A. Leonardi, Credito cooperativo e società locale, op.cit., p. 244.
were entirely retained, their contribution to the creation of reserve funds of some substance was extremely limited.

This structural weakness was obviated to some extent by the unlimited liability of members for initiatives undertaken by the credit unions, which – as mentioned – was one of the founding principles of the Raiffeisenian system. The limited need for the ample coverage of equity, moreover, was justified from the credit unions’ point of view by the relative security of their loans, in that the borrowers enjoyed the full confidence of the administrators. The system had worked very well in periods of stability, as testified by numerous experiences during the belle époque. But amid the widespread insolvency of the Italian economic system in the early 1930s, the problems connected with the scant capitalization of the cooperative credit societies became dramatically apparent. Faced with the combined difficulties of creditor insolvency and insistent demands for repayment by debtors, the rural credit unions were unable to resort to their own assets for the liquidity they needed.

A second weakness was the lending policy adopted by the rural credit unions. The policy had two principal shortcomings: the first was the concentration of risk in lending transactions; the second was a substantial, sometimes excessive, benevolence in granting loans and requesting their repayment. All the rural credit unions restricted their operations to the commune in which they were situated, where the range of local businesses was very limited and all operated in plain sight. The consequence was that the credit unions were largely unable to differentiate risks qualitatively. Hence, because loans were concentrated in a clearly restricted context, it was not possible to dilute their risks across different territorial areas. In parallel, the focus on a restricted group of economic operators, most of them

engaged in livestock farming, as well as some artisans, meant that there was very little diversification of risk.

As a consequence, when a local productive system entered prolonged difficulty, the financial equilibrium of the rural credit unions revealed its fragility, for these small institutes were unable to recover positions in other areas or on debtors engaged in other forms of production. Inspection of the credit columns of the union balance sheets shows the limited extent of items concerning short-term government securities, and in parallel the amount available on current account at other banks. This signifies that both liquidity and low-risk items were extremely limited. The credit unions thus fulfilled their mission of making available to their members the resources whose administration had been entrusted to them. But in pursuit of this mission, some administrators, under pressure to improve their profit and loss accounts, would agree to finance high-risk initiatives by members.207

On the other hand, the territorial limitedness of the credit unions’ operations, and the presence of a circumscribed group of members, gave them substantial protection against competition by other credit intermediaries. In parallel, the fact that borrowers were all known personally to the administrators, and generally of proven trustworthiness, together with the credit unions’ policy of not generally financing large-scale or risky economic initiatives, meant that in conditions of general economic stability the likelihood of crisis was extremely limited.208 However, when economic tensions and difficulties arose in the credit unions’ sectors of activity, because their operations were largely restricted to the collection of savings and the extension of credit to members, they were unable to recoup credit losses with other types of revenue, such as dividends on government bonds or other securities, or rents on property.209

207 Ibid. p.93.
The administrators usually granted loan requests by members even when the society’s financial situation should have counselled caution.\textsuperscript{210} Hence, during the years of deflationary crisis, and especially in 1927, although the Italian economic system was still far from the recession that afflicted it in the early 1930s, amid evident signals of difficulty the rural credit unions continued to extend loans in even risky circumstances. In keeping with their mission, they sought anyway to satisfy their members’ requests for credit. This behaviour was also justified by the greater indulgence traditionally shown by credit unions towards their members, considering their lesser likelihood of obtaining credit elsewhere.\textsuperscript{211} However, it jeopardized the financial solidity of these small credit institutes, which would soon see their liquidity diminish dramatically.

The presence of managerial anomalies could therefore undermine the solidity of the small banks. The excessively generous granting of loans, and the sometimes exaggerated indulgence shown towards debtors, exacted a high price on the rural credit banks when the crisis deepened. At the most critical moments, numerous credit unions lacked the necessary liquidity to meet pressing demands for the repayment of credit by depositors and other corresponding banks.\textsuperscript{212} Moreover, loans had often been granted to the communes in which the rural credit unions operated. Because of their strictly local character, the rural credit unions were particularly sensitive to the financial needs of the communes, to which they granted large loans at times when funds were abundant – in some cases on particularly protracted repayment schedules. These, though, were operations unsuitable for rural credit unions, which instead should have sought not to immobilize the deposits entrusted to them for long periods of time, thereby removing resources from their natural function of supporting small farming and crafts businesses.

Although the Bank of Italy inspectors carried out numerous inquiries into the formal and substantial validity of the guarantees covering credit-union loans to

\textsuperscript{210} See on this the corporate case recently studied by A. Leonardi, \textit{Credito cooperativo e società locale}, op.cit., pp. 234-242.
\textsuperscript{211} F. Cesarini, \textit{Un’indagine empirica sulle casse rurali ed artigiane}, op.cit., p. 94.
\textsuperscript{212} A. Leonardi, \textit{Una stagione «nera»}, op.cit., pp.199-216.
members, they must frequently have been negligent. For there were cases where members already heavily indebted to a rural credit union acted as guarantors for other borrowers. Very large loans were guaranteed by only a single surety. There were defects in bills given in guarantee; bills were void, barred, incomplete or anyway irregular; and mortgages were granted to non-members – an extremely serious occurrence because it was contrary to the statutes of Raiffeisenian credit unions.\(^{213}\)

Another critical factor, one rather commonplace in the Italian cooperative credit system, was the unsatisfactory training of bookkeepers and the scant experience of administrators. Although the distinctive feature of the administrative procedures of the rural credit unions in their early years was their simplicity, this could not justify their lack of suitable managerial expertise. The bookkeeper was usually a person who had attended a training course on cash-desk maintenance organized by the bank coordinating body – and moreover usually worked on a part-time basis – without the support of the qualified accountants (who rarely sat on credit union boards) who should have supervised the bookkeepers. This system indubitably reduced administrative costs, so that the credit unions were able to charge interest rates particularly favourable to their members, restricting the margin between lending and borrowing rates to the minimum.\(^{214}\) But, in certain cases, especially when rural credit unions furnished ancillary services like tax collection, the bookkeepers had excessive workloads which resulted in errors and confusion.\(^{215}\)

It should also be borne in mind that although participation in the democratic management of a cooperative society was considered by Raiffeisen to be a central principle in the governance of social credit unions,\(^{216}\) the members played only a marginal role in the management of their _casse rurali_. Attendance at the assemblies

\(^{213}\) See, by way of example, the report on the inspection carried out by the Bank of Italy’s Servizio Vigilanza on a rural credit union in Trentino: ASBI, fondo 20, pratt., n. 8.099, fasc. 1, Ispezioni alle aziende di credito. Cassa rurale di Nomi, Relazione sulla visita ispettiva dell’11 ottobre 1930.

\(^{214}\) A. Leonardi, _Credito cooperativo e società locale_, op.cit., pp. 124-126.


\(^{216}\) A. Leonardi, _L’esperienza cooperativa di F.W. Raiffeisen_, op.cit., pp. 19-33.
of individual cooperative credit societies was not always numerous, so that even the simplest and most immediate form of control over the administrators’ work was often very limited. Although this behaviour was on the one hand indicative of a high level of trust in the administrators’ conduct – trust that was often warranted – on the other it was decidedly risky, especially in light of the unlimited liability that tied each member to the decisions taken by the rural credit union’s administrators.

Moreover, the control exercised by boards of auditors was generally of limited incisiveness, in that the auditors usually did no more than mechanically endorse the work of the administrators. And they rarely attended board meetings, although according to the by-laws they should have done so regularly. The auditors then limited themselves to examination of the annual statement, whereas they should have extended their remit to the administration as a whole, exerting control over all aspects of management. \(^{217}\)

All these features had become evident in the cooperative credit system well before the onset of the ‘Great Depression’. As a consequence, failures of rural credit unions were already numerous in the second half of the 1920s. Liquidation procedures grew increasingly frequent because of the above-mentioned weaknesses undermining the system, but especially because the rural economic system was unable to withstand the impact of the depression. \(^{218}\)

As the crisis worsened, the administrators of all the rural credit unions found themselves having to deal with a problem of especial gravity. Faced with a crescendo of demands for repayment provoked by a situation of general panic, they were confronted by a complex dilemma. On the one hand they knew that obstructing the return of deposits would exacerbate the panic – all the more dangerous because it was irrational – because they would effectively declare their banks insolvent. Therefore, if they refused demands for repayment, they would impede injection of liquidity into the economic system, thereby preventing resources from circulating, business from reviving, and their depositors (who were also often debtors) from

\(^{218}\) Ibid., pp. 215-7.
fulfilling their obligations. On the other hand, if they entirely acceded to demands for repayment, they would have to take action against their debtors in order to recover money put out on loan, and by doing so they would aggravate the crisis. The choice involved not only economic considerations but ethical issues as well. The rural banks were aware that harmful consequences would ensue whichever option they took.219

And, indeed, their choices opened numerous wounds. In the difficult climate of the time, although some decisions rescued peasant families from situations of severe difficulty, they also provoked the financial ruin of others. In general, following the decisions taken by the boards of individual cooperative credit unions, survival was only possible by the institutes best organized administratively – but especially those that were financially most solid and whose operational choices had been the most cautious.220

That the wounds opened were particularly deep is evidenced by the accounts of the cooperative credit institutes inspected by the Bank of Italy’s Servizio Vigilanza.221 Analysis of the assets and liabilities of the rural credit unions highlights two tendencies in the development of the crisis. On the one hand, there was a substantial increase in the credit unions’ dependence on the banking system, owing to the fall in their deposits and the growth of overdrawn transfer accounts. The factors responsible were on the one hand an increase in interest costs, and on the other, the reduced financial autonomy of small institutes. Moreover, the margins of security on loans had diminished owing to the overall rigidity of loans made to the economic system. This was matched by the difficulty of obtaining funds through savings

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219 The governor of the Bank of Italy, Luigi Einaudi, in his report to the institute’s general assembly of 31 March 1947, stressed that one of the reasons for the difficulties of numerous rural credit unions was a lack of suitable administrators, who are difficult to find in small towns and villages, and even if they exist, are loath to assume the heavy responsibilities connected with the legal form (general partnership) prescribed for companies of this type (Relazione1946, p. 155).


221 See the analysis of these data in A. Leonardi, Una stagione «nera», op.cit., pp. 188-332.
deposits by traditional clientele, with a consequent worrying increase in the lending index.

Although the ‘over-commitment’ of resources was largely due to the difficult economic contingencies of the time, it sometimes also resulted from an overly permissive assets management policy. The administrators of some credit unions were excessively confident that the economic situation would soon improve. As a consequence, they did not implement the policy of progressive debt recovery that was instead absolutely necessary to avert the subsequent crisis.

The debacle of Italian cooperative credit in the second half of the 1920s and throughout the 1930s was therefore due to a rather complex set of causes to do both with the endogenous weaknesses of the credit union system and with external factors, principal among which were the local effects of the ‘Great Depression’. However, these two aspects should be considered jointly: the disruptive effects of the crisis cannot be understood without considering the workings and, above all, the weaknesses of the credit system. Although in periods of recession the credit system was obviously penalized, this does not mean that the collapse of the banking system, and of cooperative credit in particular, was entirely due to the ‘Great Depression’. In his report to the general assembly of the Bank of Italy on 30 May 1940, the Governor, Azzolini, described the situation of cooperative credit as follows: It is well known that in the final decades of the last century and in the first decades of the present one, there arose in Italy, in order to satisfy needs of various kinds, a large number of rural credit unions, and that the movement drew constantly new vigour from the favourable results achieved by the credit unions in the early years of their existence. However, owing to their scant assets or to imprudent administration, many of these banks found themselves in difficulties and were forced to begin liquidation procedures, so that the number of credit unions in operation began to diminish.\(^\text{222}\)

Liquidation procedures raised further difficulties for an economy already on its knees. The payments the members of troubled credit unions were obliged by their

\(^{222}\) Relazione 1939, p. 83.
unlimited liability to make to their banks’ creditors had major impacts on their household budgets. They were forced to deprive themselves of important financial resources at the height of the crisis, and in the difficult years that followed when liquidity became vital for economic recovery. Moreover, the frequent auctions held for the members of the credit unions to sell their goods and acquire some liquidity\textsuperscript{223} tended to devalue property in communes where the credit unions in liquidation were located: in fact, this forced supply was matched by extremely depressed demand.\textsuperscript{224} Furthermore, in several cases, the credit recovery procedure itself provoked conflicts such as to entail the compulsory winding-up of substantially healthy rural credit unions.\textsuperscript{225}

The members of all the troubled rural credit unions found themselves with diminished resources because of the liquidation payments they had been forced to make. In addition, their land and buildings were worth substantially less than before the crisis. And then if one considers that many small communities had lost the \textit{casse rurali} on which they relied, the magnitude of the disastrous impact of the crisis of the credit cooperation system on the rural economy is apparent.

However, once the crisis had reached its height, it was necessary to revive all the instruments with which to achieve recovery; and one of them was obviously cooperative credit. But besides restoring the country to economic and financial health, it was also necessary to heal the psychological wounds caused by the collapse of local financial systems.

In this extremely delicate operation, the rural credit unions – re-baptized ‘rural and artisan banks’ (\textit{casse rurali e artigiane}) and now detached from the movements that had given rise to them and incorporated into local fascist organizations and, after 1930, into the national-level ENCRA, \textit{Ente Nazionale delle Casse Rurali Agrarie ed

\textsuperscript{223} It should be pointed out, however, that liquidators sought to reduce this type of operation to the minimum (A. Leonardi, \textit{Una stagione «nera»}, op.cit., pp.242-256).


Enti Ausiliari could no longer count on their traditional banks of reference. But nor could they rely on the Banca Nazionale del Lavoro. The latter’s attitude towards cooperative credit was certainly not supportive, but instead covertly hostile, given its desire to replace rural banks in difficulties with its own agencies. This behaviour was stigmatised by the Bank of Italy itself, after its inspectors had reported the hostility of the Banca Nazionale del Lavoro towards the casse rurali. In his report to the Governor on 14 August 1935, the director of the Trento Istituto di Vigilanza, citing a specific case, stated as follows: *It is to be reported that the Banca Nazionale del Lavoro, rather than furnishing assistance or at least encouragement to the rural banks, in the case of the bank in question has imposed a transaction in favour of the municipality and detrimental to the creditor rural bank, which has incurred a loss as a consequence [...] I have already had occasion to report that the behaviour of the Banca Nazionale del Lavoro towards the rural banks is damaging and is such as to aggravate a crisis of trust that, with such systems, will not be easily overcome.*

The report left no doubts on the matter: the institution that should have supported the rural banks was instead acting in ways that damaged them. There could have been only one reason for its behaviour: because the Banca Nazionale del Lavoro was unable to gain the confidence of economic operators in numerous rural areas, and even less that of the small cooperative credit institutes, it was endeavouring – with the evident support of the regime – to force the rural banks out of business so that it could move in to take their place. The manoeuvre was so blatant that the Istituto di Vigilanza sulle Aziende di Credito, although it realized that the operation had the regime’s support, criticised it as deleterious to local economic equilibria already subject to heavy shocks.

Similar situations arose in the immediate post-war years, provoking the governor of the Bank of Italy, Luigi Einaudi, in a speech to the institute’s general assembly on 31 March 1947, to rise to the defence of the rural credit banks: their extremely useful

function, Einaudi asserted, was being obstructed by the unfair competition raised by larger-sized banks.\textsuperscript{229}

Once the most turbulent phase of the crisis had passed, and the slow recovery of numerous rural credit unions had begun – aided by prolonged liquidation procedures\textsuperscript{230} – the first signs of revival were apparent in the cooperative movement, and especially in the branch hardest hit by the crisis: namely credit. However, the recovery process was long and difficult. The casse rurali and the cooperative movement in general found it hard to regain their position in the economies of numerous rural areas after the severe blows dealt by the ‘Great Depression’. Their slow recovery can be taken as reflecting the many rural areas in the country that laboured long to revive economically.

A concrete signal that the tide was turning came at the end of the 1930s with the resurrection of a number rural credit unions after they had been liquidated. In various respects, this anticipated developments amid the climate of regained freedom and the reopening of international markets that followed the war.

**Concluding remarks**

The credit cooperation system had certainly not exhausted its role. For there were those who argued with conviction that their credit union should be re-created, despite the cost of redeeming its debts, and they did so notwithstanding the uncertainties of the war situation. Nor were these isolated cases: others occurred in

\textsuperscript{229} With reference to the action by the Bank of Italy’s Servizio di Vigilanza in regard to the rural banks, Einaudi stressed: *the protection and assistance afforded to banks performing an extremely useful function in the collection of savings are often thwarted by the competition of better-endowed institutions* (Relazione 1946, p. 155).

\textsuperscript{230} The liquidators were often chosen by the members of failed credit unions from among the previous administrators, or at any rate from among persons close to the cooperative movement. They sought to cushion debtors against the more serious damage that accelerating the credit recovery process might cause. Liquidations therefore often proceeded rather slowly. The liquidators took pains to avoid large-scale legal proceedings against debtors in order to save on legal costs but also to dilute the sacrifices required of the local system over a longer period of time.
the immediate post-war period and during the most dynamic years of the ‘economic miracle’. 231

Although cooperation had been unable effectively to counter the severity of the crisis (and indeed had been partly overwhelmed by it), the system was nevertheless believed able to develop modest resources which otherwise would be marginalized by the market and its iron laws. After the dramatic events of the 1930s, the conviction grew that cooperation alone was not enough to countervail an economic phenomenon much greater than its capacity for action. But at that precise juncture the cooperative organization, despite its limitations, was able to protect the most vulnerable sections of the Italian agricultural economy. Accordingly, once the most difficult years of the crisis had passed, the intention was to give the cooperative system a leading role in bringing the economies of the country’s marginal areas into the mainstream of modern economic development. 232

As the crisis deepened, the cooperative movement as a whole – and the cooperative credit system in particular – proved able to dampen the impact of a series of both economic and political destabilizing factors. Of course, it was evident that social formations alone could not counter an economic, social and political collapse that greatly exceeded their capacities for action. During the most dramatic phase of the ‘Great Depression’ when various sectors of the Italian economy – especially small-scale farming and crafts – lost all the reference parameters that the market had solidly established, the cooperative organization (despite its limitations and the defects of its administrators) was able to safeguard the most vulnerable components of the local agricultural economy. 233

In parallel, despite the intent of the Fascist regime to bring all social formations under its direct control, the majority of local cooperators remained firmly anchored

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to mutualistic principles and kept faith with the values of solidarity. The regime failed in its (also coercive) endeavour to replace voluntary and gratuitous Raiffeisenian cooperation for the good of the community with an organization which although purportedly still cooperative in nature in fact was purely utilitarian and functional to fascist purposes.

Neither the regime’s policy of the ‘stick’, which defined the rural credit unions moth-eaten institutions that labour to survive\textsuperscript{234}, nor that of the ‘carrot’ which termed them vital local institutes as necessary as they are meritorious\textsuperscript{235}, were able to subdue cooperation, and above all the cooperative credit sector – despite the impact of a succession of financial and economic shocks produced by the ‘Great Depression’. Nor did the slump that affected the Italian economy in its entirety – ruining the credit intermediation system, and with it numerous casse rurali, wreaking havoc with the country’s rural economy – break the will to cooperate of the rural population.

The sums that the members were forced to pay in redemption of failed credit unions’ debts had created severe difficulties for farming households – just as losses of savings deposited in liquidated institutes had impoverished numerous small businessmen. Restoring a climate of confidence, and reviving the mutualist system when the wounds caused by the winding-up of failed societies had not yet fully healed, could have been extremely difficult. But rural society was convinced of the validity of the cooperative system, and at bottom it believed that the events that had caused the liquidation of so many credit unions were contingent occurrences due, in many cases, to the flouting of essential by-laws or to scant participation in corporate governance.\textsuperscript{236}

\textsuperscript{234} The quotation is from a speech delivered in November 1933 by the director of the Federazione Nazionale delle Casse Rurali, Gargiullo, to the 34th general assembly of Trentino cooperative societies (Atti della XXXIV Assemblea congressuale (29 novembre 1933), in: A. Leonardi, S. Zaninelli, Per una storia della cooperazione trentina, vol. II, t.II, op.cit., pp. 76-85).
\textsuperscript{235} Ibid.
\textsuperscript{236} A. Leonardi, Una stagione «nera» , op.cit., pp. 254-256.
Consequently, although the Italian countryside had suffered at first hand the costs and consequences of liquidation, it was generally still firmly in favour of cooperation. Indeed, in several regions of the country, especially in the north, the determination arose to reinstate the cooperative credit system, removing its fascist excrescences and restoring its mutualist and solidarist nature, in the conviction that it was essential for Italy’s economic renewal.