



Raiffeisen born 1818

Friedrich Wilhelm Raiffeisen and the credit cooperative

History remembers Friedrich Wilhelm Raiffeisen (1818-1888) as the spiritual father of the agricultural credit cooperative. His idea for a rural credit cooperative laid the foundation for various banks throughout the world, including Rabobank.

Mayor of Westerwald (1845-1865)

Raiffeisen was born on 30 March 1818 in the Prussian town of Hamm. He was the seventh of his family's nine children. After health problems forced his father to give up his position as mayor, the family lived in poverty, without enough money to pay for the children's education. The young Raiffeisen joined the army at the age of 17, but an eye injury ended his military career prematurely in 1843. He retained and worked for a while as a civil servant. From 1845 to 1865, he was the mayor of different towns in the Westerwald region in Germany. Health reasons led him to retire early in the beginning of 1865. A year later, he published his famous book, *Die Darlehnskassen-Vereine* [The Credit Unions].

Mayor of Weyerbusch 1845

In 1845 Raiffeisen was the mayor of Weyerbusch, a municipality in the Westerwald region. He had a school built there that same year. In the mid-19th century, the Westerwald was one of the poorest parts of Europe. In this mostly infertile region, farmers could barely make a living in ordinary circumstances, let alone in the depression years of 1846 and 1847. As in other parts of Europe, people were suffering from the effects of the potato blight and two harsh winters: failed crops, famine, and devastating poverty.

A handwritten signature in black ink, reading "Raiffeisen". The signature is written in a cursive style with a long, sweeping underline.

Weyerbuscher Brodverein 1846/47



Die Darlehnskassen-Vereine 1866

His Christian faith and a deep social commitment called Raiffeisen to try to alleviate the worst suffering. In the winter of 1846/47, he and some other well-to-do families established the *Weyerbuscher Brodverein*. He purchased a shipload of grain and commissioned the construction of a bakery. This approach halved the price of bread. In 1848, he was named mayor of Flammersfeld, and four years later, he took up the same position in nearby Heddesdorf; under his influence, the charitable organisation *Flammersfelder Hilfsverein* and the *Heddesdorfer Wohltätigkeitsverein* were established in these towns.

Based on his experiences with different charitable organisations, Raiffeisen became convinced that self-help, self-administration and self-responsibility were better ways to bring about structural improvements to the living conditions of poor people than by charity. According to Raiffeisen, donations only made people more dependent. The charitable organisation made way for a credit union based on cooperative principles.

Credit union as a tool

His credit unions in Anhausen (1862) and Heddesdorf (1864) granted loans exclusively to their members; their objective, legal structure, and the way they were funded differed strongly from the charitable organisations Raiffeisen had operated. In 1866, he published an account of his experiences and the insights called *Die Darlehnskassen-Vereine* [The Credit Unions]. As the subtitle makes plain, this was not a theoretical book but a 'Practical Handbook for Creating Credit Unions, Based on Sixteen Years of Personal Experience'. This work laid out the fundamental principles of the credit cooperative. Broadly speaking, these are: voluntary membership; its members accept joint unlimited liability; the members share responsibility for administration; management of the credit union is unsalaried; any profits are added to the annual reserves, and a limited territorial working area.

The credit unions founded on the cooperative idea operated on the principle that local people with extra savings would be prepared to lend this money to local farmers who needed credit and were able to repay the loan. These organisations served very small



Agricultural crisis in the Netherlands ca. 1880-1900

areas, not much bigger than a rural parish or hamlet, because people in these communities knew each other very well. Only members of the cooperative could be eligible for loans, which were subject to a personal guarantee. This guarantee (given by one or more guarantors), along with members' unlimited liability reduced the financial risks for all involved.

The management and administrative principles were set down in the credit unions' articles of association, regulations and rules of procedure. The members monitored the repayment of loans and advances together, through the credit cooperative's management and supervisory roles. Management and administrative duties were usually carried out without remuneration. Only the bookkeeper received some modest compensation for keeping the accounts and records. The General Members' Committee was the highest body in the credit union. If profits were made, they were not paid out to members, but were normally added to the annual reserves, which strengthened the cooperative's equity.

Raiffeisen's model sought to compensate the disadvantages of this type of small-scale banking through having local banks become members of a central cooperative organisation, while retaining their local autonomy. This combination of cooperative local banks and a central organisation is also called the Raiffeisen system.

Raiffeisen believed that improving rural people's living conditions could not be achieved through money alone. Passing on knowledge to and educating future generations was deemed essential to rural poverty relief. Later, Raiffeisen would place greater emphasis on the meaning of the credit union in working with other different agrarian cooperatives dedicated to bettering the living conditions and welfare of the rural population.

Raiffeisen and Rabobank

The Netherlands, like many other countries, was badly affected by an agricultural crisis during the last several decades of the 19th century due to a surplus of cheap grain from the United States. Contemporary observers noted that the lack of lending in rural areas worsened the prevailing economic and social ills in the countryside. A government



Growing a better world together 2017

committee on agriculture concluded the same. The committee had been set up in 1886 to investigate the cause of the poor agricultural conditions and to make recommendations for improvements. Its final report (1890) mentioned the Raiffeisen system as a possible solution to the relative absence of lending facilities in rural areas. In line with the idea of encouraging people to help themselves, the government committee recommended that, in principle, the various stakeholders should determine how to implement this system. It was not long before pioneering people in rural areas across the country were setting up cooperative banks according to Raiffeisen's model, laying the foundations of Rabobank and its present mission: *Growing a better world together*.

Raiffeisen's influence

Raiffeisen's idea quickly gained popularity in Germany and throughout the world, including the Netherlands. Countless banks and agricultural cooperatives were established following this example. Today, millions of people from across the globe are members of one or more cooperatives.

UNESCO's Intangible Heritage

For this reason, in 2016, Germany submitted the *Genossenschaftsidee* (translated as the 'idea and practice of organising shared interests in cooperatives') to [UNESCO's](#) Intangible Heritage list. Its incorporation in the representative list underscores the timeless character of the cooperative as a form of organisation, as well as its worldwide applicability.

Raiffeisen Year 2018

In the Raiffeisen Year 2018, Raiffeisen's idea is still inextricably linked to the cooperative principles of self-help, self-administration, self-responsibility, and the potential to work towards creating a better world for everyone.