

A VIEW UPON THE HISTORY OF THE PEASANT ASSOCIATION

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Abstract: *The whole social and economic life is based on some form of association. People live in societies, so the idea association appeared in the most natural way, at first in an unconscious form, moving later towards the conscious and organized association. Seeing that through the association they were able to defend their professional interests, fulfil their economic goals and meet their common needs, peasants adopted its formula with confidence. The ways in which the association spread were diverse. Depending on the economic, social and moral circumstances and on the habits and goals of the various masses of peasants, there have been developed mainly one of the three forms: trade unions, cooperatives, and mutuality. The peasant associations helped the rural communities everywhere and were the object of interest of many theoreticians, who sought their roots, their forms, presented their principles and analyzed their results. One of them was Professor Nicolae Ghiulea, a Romanian economist and sociologist, fervent supporter of the association idea.*

Nicolae Ghiulea was among the most important representatives of the cooperative doctrine of the interwar period and was well-known for his prestigious academic career. He filled several administrative and social leading functions and had a rich publishing activity in the areas of statistical theory, social economy, cooperatives and sociology. This article sets out to present his view upon the history of the peasant association, as exposed in one of his books entitled „The peasant associations”. The author focuses on the various forms of peasant associations, their history and their practical results in interwar Romania, explaining why they were beneficial. At a closer look, peasant associations are still a viable solution to many current social issues, especially those concerning agriculture.

Keywords: *peasant association; agrarian reform; cooperative; Nicolae Ghiulea*

JEL classification: *B31, J54, N54, O13, P13, P32, Q13, Q15*

1. Introduction

Born in Iași (11 September 1884), with an original background in Mathematics, Nicolae Ghiulea was a professor of social policy at the Faculty of Law of the University of Cluj (from 1919 until 1942, when he retired). His inclination towards Sociology came from a series of special sociological studies conducted in Paris, Göttingen, and Iași. He was an economist and a sociologist, filled outstanding administrative and social leading functions, and was one of the most important representatives of the cooperative doctrine in the interwar period. Ghiulea was one of the initiators of the social market economy in Romania and was known for his prestigious academic career and rich publishing activity in the areas of statistical theory, social economy, cooperatives and sociology.

The socio-economic issues in general and current problems of the interwar period

in particular were the main concern of Professor Ghiulea. As a fervent supporter of the idea of association, he found the solution to the shortcomings of the agrarian reform in Romania in the organization of peasant associations. This article sets out to present the various forms of peasant associations, their history and their practical results in interwar Romania, as Nicolae Ghiulea described them in his paper published in 1926, called *The peasant associations* (original title: „Asociațiile țărănești”).

Since ancient times, the man has been able to live and prosper by working the land. If early mankind allowed free access to natural wealth, with increasing population and scarcity of resources, property developed, and work began to be organized. The basic principle of economics, that of seeking maximum satisfaction with a minimum consumption of resources, caused the man to organize his work so that it would allow him to unfold activities for relaxation and personal development as well. In this respect, he followed three ways: invention, division of labour and association. Discoveries of any kind make human labour easier and more productive, division of labour maintains favourable economic and social relations between the individuals of a society, and the association increases people's strength to work and struggle, enabling them to develop and civilize.

In the period between the two world wars, a good organization of the agricultural work in order to improve the agricultural production and to resolve the land issue was imperative. For this, several aspects had to be taken into account. In terms of nature, the organization of agricultural work related to the scientific culture of the soil. Concerning capital, a good organization of labour in agriculture needed the procurement of working capital, farm machinery and buildings, from peasant savings or obtained loans. Finally, in terms of work, there were necessary the technical and commercial business organization in order to bring as much profit as possible, the insurance of labour against natural hazards, the division of labour and the concentration of production in large enterprises

2. The Consequences of the 1921 Agrarian Reform

The agrarian reform of 1921 contributed to changing the course of development of the Romanian economy in general, and the agriculture in particular, as a result of modifying the structure of land ownership.

Another consequence was the fact that it accelerated the transfer from grain stage (wheat monoculture on large areas) to the alternative system based on crops with a higher return.

Due to its wide scope, the agrarian reform of 1921 was appraised as the greatest and most economically daring of the world. It was an act of social justice, accepted by the entire Romanian society.

Beyond its social character, almost universally recognized, the land reform was, however, criticized at economic level. The main objections (at that time) were related to de-industrialization of agriculture. The fact that small farms would not afford mechanized tools enabling higher yields and productivity.

Nicolae Ghiulea argued that the agrarian reform of 1921 was made without a thorough study, without serious training, without a well thought program. The problem was not achieving this reform, which was in fact urgently needed, but the inappropriate way in which it was applied and the improper means which were used. The negative consequences that followed referred to a lower production in quality

and quantity, then reduced exports and, finally, a worsening of the economic balance and of the exchange rate. There had been made a transition to the small-sized property, in which peasants worked their small plots of land they received with their own arms, but with primitive techniques. The unprepared disappearance of the large property thus contributed to decreased earnings from the agricultural production, a rise in the price of life and the collapse of the Romanian currency. All this caused the Romanian economy to enter a crisis.

The peasants suffered greatly. They encountered great production difficulties, due to the lack of tools, livestock, capital, and the lack of agricultural insurance organization that did not allow them to perform the agricultural work safely. In addition to this, they were obtaining very small gains, because of the high production costs and the low sales prices. The existence of a genuine agrarian crisis, of a total disorganization of the agrarian life could not be denied, therefore. The peasants were in an even lower economic situation than the one before receiving land ownership.

However, morally, the agrarian reform had beneficial effects. Peasants began to aspire to a better life; they had their appetite opened for culture and for participating in state leadership, which was an important incentive to work and progress.

With all the difficulties brought by the land appropriation, the action came on time and was extremely valuable. The superiority of the small-sized property regime over the great agrarian properties was recognized worldwide. The small landowner constituted an element of order and social equilibrium. Besides, the peasant landowners had the ability to culturally enhance the Romanian people. In order to spread and develop culture, general welfare was necessary. The regime of the great agrarian property provided a low level of civilization, since the majority of the population, who was employed in agriculture and lacked land, was living in misery. The small-sized property regime could be superior to the one of the great agrarian property even economically, provided that the agricultural labour was organized.

It was necessary to ensure a professional and economic education of the peasantry, removing restrictions on production and sales, and granting peasants full freedom to organize and defend. Hence, production was going to increase, exports also, and the situation of trade and currency was going to improve. Increased earnings would have determined the peasants to increase consumption, and the industrial and commercial activity would have thus intensified. This general welfare was going to lead to the state's welfare, to recovery and development. Moreover, with the introduction of the universal suffrage, Romania had a clear path to get among the strong and healthy democracies of thriving culture and civilization.

Nicolae Ghiulea believed that the association was the key to the organization of agricultural labour under small property, defining it as a means by which the man achieves, with others, that which he cannot achieve by himself. By association, the man increases his strengths and his action field, saves his forces and riches, increases his activity and its outcome, and reduces his damages resulting from disasters, dividing them among all. Ghiulea considered that the association was the most appropriate means for the organization of work in the form of small agricultural properties, as it also provides the harmony between the different social strata.

3. Forms of Peasant Associations

Less used in agriculture, the association in its perfected form was not introduced until later in the rural areas. The slow spread of the peasant association is explained by the peasant's economic individualism, the lack of importance and the rarity of the rural agglomerations, the isolated peasant life, and, last but not least, the lack of social education resulting in the distrust of fellowship.

In carrying the Romanian peasant life, since old times, there have been many expressions of a strong social sense, of mutual aid. History offers many models of associations formed in order to work together, or in order to commonly achieve economic or social benefits. Instinctively, the peasants associate and are open to the idea. However, explained Professor Ghiulea, the introduction of the organized and legal associations with high goals and of general interest was not easy to achieve without prior education in this respect.

The purposes of the peasant associations are diverse and can be divided into three categories: professional (for defending the interests of the small farmers), of cooperation (from the desire for a gain), or mutual (for satisfying common needs). The first group includes farmers' trade unions, organized in order to promote agriculture, ensure vocational education and take general measures of local interest.

In the second group we have the many types of cooperatives: of joint purchase (they are the most valuable and most easily to organize for farmers; through them villagers remove the intermediaries, buying directly from the manufacturer), credit cooperatives (offer cheap and fast credit), of agricultural production (one of the brightest, most common and most successful forms of production cooperative; through it, the small landowner can benefit from the advantages of the great property; the economic concentration decreases the production cost; the selling price increases), of storage or joint selling (useful for individual farmers, being sometimes imposed by the large buyers who refuse to make transactions with small individual producers), to industrialize and exploit animal and agricultural products (cooperative factories for oil, wine, textiles, dairy-cooperatives, cooperatives for egg trade, for wool trade etc.), consumption cooperatives (which, in addition to food and necessary goods, acquires housing to the peasant).

Nicolae Ghiulea believed that by organizing agricultural labour into production, exchange and consumption cooperatives, there could be obtained all the advantages of large enterprises, namely the capitalist organization, the division of labour and the concentration of production. Thus, the peasant would become the only master of his labour and the results of his work. The intermediaries and the speculators, in the person of usurers, merchants, great industrialists, owners or lessees would be removed and the peasant would find his freedom and his economic power.

Finally, the last category of peasant associations refers to mutual insurance associations, which cover all agricultural risks and allow peasants to share damages with their fellow associates. In this case, federalization and centralization of various local associations was considered of utmost importance, because agricultural risks often affect a whole region not only a common, requiring the organization of the reinsurance operation.

4. The History of Peasant Associations

Professor Ghiulea sought the roots of the peasant association in the works of the two associationist philosophers, Charles Fourier (France) and Robert Owen (England). Contemporaneous, these two cooperative promoters believed that the association was the ultimate solution to the social problem related to the injustice in the distribution of goods. Robert Owen contributed to the birth of the consumer cooperative, as an act of the urban cooperative movement. His ideas stood as an example for the Rochdale pioneers, the founders of the modern cooperative. On the other hand, from the ideas conceived by Charles Fourier, the industrial production cooperative was born, also as an act of the urban cooperative movement.

These two socialists deserved to be mentioned here because both based their plan of world reformation primarily on agricultural associations. Fourier imagined those economic and social associations called „phalanxes”, which actually stand for the complete consumer cooperative. These phalanxes were also complete production cooperatives, because they were intended to produce everything necessary for living in the association. They were therefore integral cooperatives, based on agricultural work and production, as associate members were primarily farmers, and sporadically craftsmen and industrialists. However, because the phalanxes expected a certain level of culture, they were inaccessible to farmers and their influence upon the agricultural associations was null, being manifested only within the worker agglomerations. Nicolae Ghiulea believed that although phalanxes could not be counted as parables for the creation and development of the agricultural association, they bred the idea of association under all its forms, as they gave rise to the idea of the modern cooperative that Fourier did not think about and which he would have never admitted in his system.

Robert Owen was also a utopian idealist, but unlike Fourier who had a modest financial situation, he had the financial ability to put into practice his plans for social transformation. He started his social activity through a number of patronal measures to improve the situation of the workers at his factory in New Lanark. Then, wanting to expand his ideas, he turned to the English government and to the governments of other countries, contributing thus to the development of laws for the protection of workers. Trying to spread ideas among the other industrialists failed, because of the greed that characterized them.

Observing the misery of workers everywhere determined him to develop a system of social organization in which all the sufferings and all the evil were removed. Thus the idea of agricultural peasant associations called „communities” was born. Owen believed that reforming the world could only be achieved by creating a new social environment, and that environment could only be at the countryside, where there were the virtues and the wealth needed for the ideal world he dreamt about. Owen's doctrine, said Ghiulea, was an agrarian doctrine, whose central idea was the association, namely the peasant association as an ideal of social organization.

These communities were founded on communist grounds, everything except the family life evolving jointly: production, distribution, public life. His most important achievement was the New Harmony community in the U.S. state of Indiana. But practice did not comply with theory, and what was meant to be an organized community, turned out to be a society in a profound anarchy.

This experience that had cost Owen and other American philanthropists enormous sums, proved that Owen's system was nothing but a unrealizable utopia. However, the desire for social transformation that Owen had inspired to the whole world caused, in terms of politics, the birth of the international and democratic socialism, in economics terms, the genesis of cooperatism and trade unionism, and morally, it created the mutualism.

The economic and social circumstances in France and England, and more specifically the speed at which the transition from feudalism to capitalism was made, gave rise to the two cooperative movements: the production cooperative, imagined by Charles Fourier and the consumption cooperative, implemented by Robert Owen. In England, the rapid development of the large industry and of mechanization caused the misery of workers, who lost their jobs, the only way to improve their living being their association in consumer cooperatives. In France, on the other hand, the large industry developed more slowly, but it contributed to the progressive decline of craftsmen, who found the solution for survival by organizing production cooperatives. The cooperative movements in England and France became known abroad, and thus the idea of association spread worldwide.

Through its economic side, the cooperative idea won Hermann Schulze and through its Christian side, it captivated Friderich Wilhelm Raiffeisen. The two Germans were the founders of the two famous cooperative models: the urban cooperative (the Schulze-Delitzsch system) and the rural cooperative (the Raiffeisen system). The principles established and imposed by these two systems, along with the one of the „Rochdale Pioneers” – the fathers of the consumer cooperative – can still be found throughout the current cooperative movement.

Hermann Schulze turned his efforts to organize production cooperatives in order to help the craftsmen who were overwhelmed by the large industry, but the biggest success he recorded was with the organization of the urban credit cooperatives. The one who came to answer the needs for rural credit was Friderich Wilhelm Raiffeisen, considered by Nicolae Ghiulea the inventor of the peasant association, the founder of the rural cooperative. When, in the mid nineteenth century, there could only be heard the cry of the industrial workers who were in misery because of proletarianization, Raiffeisen focused on helping the farmers through the establishment of popular banks intended to eliminate the usurers who provoked them suffering. Raiffeisen's movement showed that, for the success of cooperatives in villages, first it was necessary to establish credit cooperatives. This was normal, as long as the farmer could not do the work without capital, and in his absence, without credit. Raiffeisen completed his cooperative model with the organization of the production cooperative. That was the path Romania chose as well.

In Romania, the Saxons were the ones who brought the idea of cooperatives. They started founding, since 1852, credit cooperatives of the Schulze-Delitzsch type, and later, after 1865, they established in Transylvania the credit cooperative following the Raiffeisen system. Romanians' first attempt was made in 1868 and belonged to a teacher named Visarion Roman, who founded, in Rășinari, „The Society for Storage and Loan”. This association operated for only 13 years, because of the lack of interest shown by the peasantry and a poor leadership. Although it did not precede a cooperative movement in its true meaning, the company determined the establishment of numerous popular banks that followed its example. Roman

Visarion continued to set up other associations called credit reunions, which he subsequently attached to „Albina” Bank, the first Romanian bank, whose director was until his death. From the beginning, the „Albina” Bank was regarded as the protector and the mentor of the popular peasant banks in Transylvania, operating 19 credit reunions, branches of the parent bank. The lack of independence of the reunions led to their discontent and to the suppression of the cooperative movement. „Albina” Bank opposed to their desire for freedom, liquidating them one by one, causing the end of the cooperative movement initiated by Visarion Roman. The teacher had thought, absurdly, that a commercial credit enterprise was able to support a cooperative movement and protect the popular banks, based on totally different ethical and economic principles than commercial banks. Without having any connection with „Albina” Bank, the only popular bank who survived in those times was the credit reunion „Aurora” in Năsăud, founded in 1873, which had a very great importance, because it served as a model for the first credit unions established in the old kingdom.

Unlike in other countries, where the cooperative movement started in cities and was then propagated in rural areas, in Romania the cooperative was born in villages and the first cooperatives established were the popular banks. Nicolae Ghiulea explained why in Romania things were different. The cooperative is an economic association that requires a certain level of culture, a deeper understanding of the economic and social statuses. Cities with a higher cultural level are better prepared for the cooperative idea than villages. In addition, the cooperative does not only claim culture in order to be understood and embraced, but it also claims an urgent economic necessity that would find its relief in cooperatives. The mid-nineteenth century and a few decades after, however, found the Romanian cities in a more than acceptable state. The transition from feudalism to a regime of liberty culturally raised the urban, while villages began to decline. In the cities, there was no need for a cooperative movement and P.S. Aurelian's failure of the cooperative propaganda made in 1870 stood as a proof. Instead, the spread of the cooperative movement in the Romanian villages that were in misery was imperative. The Rural Laws of 1864 and 1866, which granted freedom to peasants, caused them more harm than good, as they ended up being greatly exploited by the landowners. Through their revolts in 1888 and 1891, the peasants did not achieve great benefits, their situation continued to degrade and they became victims of usurers' speculation from the need for credit to buy food.

The peasantry's moral and economic misery after 1888 was indescribable. The first ones who noted the need to raise the peasantry economically and morally were the teachers. With immense efforts and dedication, taking the examples of the Transylvanian credit reunions, they started spreading the association ideas in old Romania's village life. Therefore, in 1891, they founded the first cooperative in Romania. It was the popular bank „Dumitra” in Dara village, Buzău. The cooperatives flourished there, like in Transylvania, in the form of the credit cooperative, as the peasantry's most pressing need in those days was for credit and removing usurers.

The Romanian experience verified the truth that the cooperative succeeds only where it fulfils a real function and meets well felt necessities. In addition, the cooperative was not founded in a mountainous area by accident. Mountain counties

have always been superior culturally and economically, which is a necessary requirement for a successful cooperative movement. Although it started its activity like the Rochdale pioneers with a very small number of members (34) and a small capital (127 lei), the credit cooperative in Buzău was the initiator of the Romanian cooperative movement. After two years of adjustment with the idea of cooperatives, a priest named Diaconescu founded in Dâmbovița the second popular bank called „The Peasant”. Later, five other cooperatives were born, all in mountain areas. After a brief stagnation, starting with year 1896, the cooperative movement saw a great upswing, being established within 10 years 711 credit cooperatives in rural areas. The cooperative expansion in the years 1899-1902 was due, in part, to the support of Spiru Haret, the Minister of Education, who encouraged teachers to spread the valuable idea.

In 1903, the law on popular village banks and their Central House was promulgated in order to coordinate a movement that exploded impressively. Rather than offer them the freedom of federalization, the law made the mistake of involving the state and imposing centralization. The consequences were an accelerated and artificial development and the alienation of the cooperative movement from its fundamental principles.

Cooperatives were given a number of administrative, fiscal and judicial advantages. The new organization increased the number of cooperatives, and although many of them were born from state order, with the help of the Central House most attempts succeeded, defining a remarkable cooperative movement in Romania. The Central House, always led by skilled people committed to the movement, contributed greatly to the cooperative's progress in all directions. In 1905, the idea of federalization was introduced in the law on popular banks. The Central House deeply imbued with the cooperative spirit, encouraged cooperatives to establish federals, in order to be able to maintain their autonomy and act decentralized.

The success of the popular banks in solving their financial problems urged farmers to focus their attention on their second worry, namely the lack of land, whose solution was also the association, through the establishment of the communities for leasing land. The leasing communities' benefits were on both sides: peasants received land, and the owners received larger rents, also having the assurance that their lands were well cared for and rationally cultivated.

The problems concerning usurers and leaseholders being removed, peasants needed further to eliminate merchants through the organization of the consumer cooperative. The movement started after 1906, but its way was difficult. However, while in 1907 there were 91 consumer cooperatives, in 1923 there were 2690 consumer cooperatives recorded. Slowly, the cooperative was extended to all industries. The fruitful cooperative idea made it possible for peasants to help each other with all the hardships of their economic lives. The production cooperative was the one that came to complete the Romanian cooperative movement. Starting with year 1905, there have been established numerous forms of production cooperatives (bakeries cooperatives, mills cooperatives, dairies cooperatives, purchasing and joint selling cooperatives et.), all signs of a brilliant development of the Romanian cooperative.

5. In conclusion

The results of the peasant associations in Romania were not at all modest. The Romanian cooperative movement started later than in the developed countries, but the cooperative idea was embraced by the Romanian peasants in a remarkable way. In a short period of time, most villages had at least one cooperative association.

The local needs and the various shortcomings led to the organization of mixed cooperatives in post-war Romania. They were called mixed because they were ultimately production cooperatives, but they also acted as joint supply cooperatives (of both materials, machines and tools required in the production process and the items necessary for the daily living), specific to the consumption cooperative association, and joint selling (simple selling plus semi-transformation of products). This was the kind of cooperative that spread in our country, meeting all the interests of the peasantry and taking agricultural unions' place, unknown in the Romanian villages. Their well-written status introduced in Romania the fundamental principles of the pure cooperative.

The pre-war village communities (for land leasing) disappeared after the land appropriation for various reasons, such as the fact that the peasant did not think it would be the appropriation beneficiary but those who led the community, or the poor results of some communities seized by the state. After the war, few communities were created, and their activity was reduced. Ghiulea thought that it was unacceptable the decline of the cooperative movement through communities, which had been so flourishing and represented the Romanian specific of cooperatives. The professor believed in the utility of the communities for the future, when the fragmented lots would not be sufficient for a family living.

Nowadays, the excessive fragmentation of land does not allow the establishment of productive farms, but mostly the achievement of the family economy. The simple peasant, lacking sufficient funds, does not have the technical equipment needed to make a profit from agriculture. That is why any forms of association are still opportune today. Moreover, Romania can benefit from the European Union's support as well, in order to improve agriculture's profitability, so it has a solid ally towards its overall economic development.

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