

## THE ROLE OF DR. JANEZ EVANGELIST KREK IN THE SLOVENE COOPERATIVE MOVEMENT

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### **Economic Conditions in the Slovene Lands in the Second Half of the 19th Century**

During the second half of the nineteenth century most of the Slovene population was employed in the poorly developed and poorly equipped agricultural sector. The upper strata of society comprised merchants, wealthy craftsmen, and landlords, as well as the governmental and the local bureaucracies. While the German language was used by the upper strata, Slovene was the main communicative medium of the agrarian population and other lower social strata. The line of social demarcation between the two classes coincided, to a substantial extent, with this language demarcation line.

From the economic point of view the language barrier represented also a constraint on social and occupational mobility. It restrained the possibilities of progress for the lower class urban inhabitants into the upper social strata; it also hindered social and occupational mobility from the less productive agricultural sector to other, more productive, sectors.

The situation in which the Slovene peasants found themselves at the end of the era of serfdom, in 1848, was less than favorable; and their economic situation did not thereafter substantially improve, despite the fact that they were freed from villeinage and could become owners of land. There are several reasons that help explain why economic progress did not automatically emerge. The change from serfdom to freedom, from an exchange economy to a monetary economy, was very rapid. The generation brought up in the former system had a distinctly different set of values and habits; it was largely uneducated and was unable to adapt wisely and quickly to the new conditions.

While earlier payments of duties had been made in natural goods, those obligations (which to some extent remained in the form of taxes) were now to be paid in money. The Slovene peasant was forced to market his products in order to acquire money for these financial obligations. The old-fashioned way of farming, obsolete technology, low-quality seeds and a lack of fertilizers, coupled with insufficient knowledge of comprehensive farming methods, caused a low agricultural output, both qualitatively and quantitatively inadequate. An underdeveloped road infrastructure further hindered the flow of goods into the market.

The growing emergence of economic liberalization (for example, the abolition of tariffs among the Austrian provinces) and of competition also had their impact upon the agricultural sector. Due to imports of low-priced American wheat, the prices of domestic wheat were decreasing. Of significant importance for the prosperity of trade, also, was the railway network that had been newly built over the Slovene region, especially the Vienna-Trieste link. While the newly developed infrastructure had positive effects on the development of trade, the Slovene agricultural sector—given its level of development at the time—was unable to draw successfully upon these benefits.

In spite of growing agricultural productivity in some parts of the region, it can be generally observed that due to the above-mentioned conditions and due to the poor harvests in some of the years concerned, we may denote this period as one of general crisis in Slovene agriculture. As a consequence, the money acquired from the marketed surplus of agricultural products was hardly sufficient to cover the peasants' financial obligations, let

alone other necessary farming investment. The demand for loans among the agricultural population grew.

Savings banks and loan institutions in Slovenia in the second half of the nineteenth century were mainly in the hands of non-Slovene parts of society: most of the capital was generally held in German, Italian, Czech, French and Swiss hands. Savings banks and loan societies offered loans under terms which, for various reasons, were not accessible to the Slovene peasants. First, loans were given mainly for the development of the industrial sector and of trade. Second, loans made by the so-called "Regulative Loan Societies" were only mortgage loans, approved only at a high interest rate. Third, the existing language barrier further increased the costs of loans (through transaction fees). Further, loan institutions were located only in the larger towns, and this entailed high transport costs and was time-consuming for those living elsewhere. Finally, the peasants' lack of education and of the ability to deal in financial matters successfully was a great hindrance.

Those who responded to the growing demand for loans by the peasantry were local merchants, innkeepers and the other wealthier inhabitants of villages and small towns. The interest rates that they charged were guided by the high demand and were increasingly high. Usurers charged interest rates anywhere from 10% to 100%. In some instances interest was paid in natural goods (wheat, wine, hogs, poultry, etc.). In many cases the local merchants also lent basic food supplies and other necessities. Grain was, for example, lent at high prices in the spring when supplies were low, and high interest was charged in the fall. It was also quite often the case that peasants were overcharged, due to their ignorance.

To illustrate the extent of the indebtedness of the Slovene peasant, one can examine figures which show that between 1868 and 1893 more than 10,190 farms (representing over 14% of the total of agrarian households) went bankrupt and were sold at auction.<sup>1</sup> The inability of the peasants to fulfil their financial obligations forced them to start selling parts of their farms; this had further long term negative consequences for the agricultural sector. As far as the question of the social structure is concerned, these developments caused, on the one hand, a growth in the economic power of the village merchants and other local usurers, and on the other the division of the land into smaller and smaller fractions, which in turn limited their suitability for rational cultivation.

At the very beginning of the twentieth century the Slovene lands were covered by small-size farms: more than 35% of farming households possessed lots smaller than subsistence-sized, i.e., of less than 2 hectares; and another 21.5% of farms had properties that were not much larger, i.e., of between 2 and 5 hectares. This means that 55.5% of the whole agrarian population owned properties that were insufficient or barely sufficient for their existence. Such small landholdings could not support the basic subsistence needs for a growing population. During this era an increasing number of Slovenes were forced to emigrate, mostly to Germany, the United States of America, or Australia. Many farmers who were forced to leave their farms moved into the towns in search of a living wage in the newly growing industrial sector.

The extent of migration may be illustrated by the following figures, which indicate that the emigration rate exceeded 50% of the natural growth rate: between 1857, when the population of today's Slovenia amounted to 1,100,000, and 1910, it grew by only 220,000, or 20%; this was well below the average growth rate for European populations at that time.<sup>2</sup>

The oppressed social and economic conditions of the Slovene peasants was fully recognized by the Slovene philosopher, politician, social worker, author and theologian Janez Evangelist Krek (1865-1917), who wrote:

"I believe that the only basis for progress is to materially strengthen the Slovene

farmer. Where there is hunger, there is room neither for ideals nor morals. The organization of new loan cooperatives and savings banks, and the reorganization of the old ones, for the needs of Slovene farmers, is the first step in the programme."<sup>3</sup>

### **Dr. Janez Evangelist Krek and his Work**

It seems hardly possible to summarize briefly all the spheres in which Krek made contributions to the prosperity of the Slovene nation during his rather short life. Philosophers, historians and others who have devoted their time and knowledge to the study of Krek's work are united in the belief that he was an outstanding, unique and universal human being, with a great sense of social justice and order.

Krek was born in 1865 in the village of Sveti Gregor near Sodražica. Following tradition, he was given the name of the saint then being celebrated, St. John the Evangelist. His father's predecessors were from Carniola, which gave him a strong and vigorous nature. From his mother's family, which was native to Sodražica, he inherited the sense of humor and joy that is well known as typical of the people living in the area round Ribnica.

Upon finishing elementary school he moved to Ljubljana, where he attended high school. Because of his joyful and helpful nature, he was always very popular among the students. He was very well read and received excellent grades in literature and essay-writing. When he graduated from high school he first intended to study Slavistics, but then decided to become "one of God's beggars" (as he called himself in the novel *Stara mati* of 1887) and began to study theology. Throughout his studies he received grades of *Erste Klasse mit Vorzug*. Besides learning Serbo-Croatian, Polish, and Russian, he organized a course in Czech in his seminary. Later in his career he enriched his knowledge of languages by learning French, German, Italian, and Arabic. Despite his cheerfulness he was intensely sensitive, and understood the problems and the national, social and economic misery that the lower classes were facing. In 1888, when giving a toast at the occasion of his First Mass, he spoke about a socialism based upon Christianity.

By virtue of Krek's great talents Dr. Missia, the Bishop of Ljubljana, recommended that he continue his studies to become a professor of theology at the Augustineum in Vienna, and he followed this suggestion. In May 1892 he graduated with a Doctorate in Philosophy, with the dissertation *De charactere et spiritu S. Pauli apostoli*. Vienna was then an important cultural and political center and a crossroads of ideas, and it was in Vienna that Krek broadened not only his knowledge of pure theology, but also his ideas and thinking about Christian Socialism.

Even though his inclinations toward the ideas of Christian Socialism were already apparent during his studies in Ljubljana, his spiritual leaders and teachers were the Austrian philosopher Karel von Vogelsang (1818-90) and the Slovene theologian Ivan Belec (1856-89). At the core of Christian Socialist thought was a disappointment with liberal monopolistic capitalism with its unlimited power to achieve profits and exploit the workers. The solution, as seen by Christian Socialists, was a return to Christianity and to the natural order which recognizes only one rule, viz., that only work itself can result in the right to the use of the goods which the earth provides. Vogelsang was especially critical of monetary interest which, he believed, was "bread without work," and advocated that peasants' homes should not be burdened with any debts and not sold or subdivided; the concept of cooperatives for craftsmen and industry were also his suggestions.

Soon after his return to his native Ribnica area as a curate, Krek, now a strong believer and advocate in the ideas of Christian Socialism, began to teach his beliefs. In 1894 he

instituted the first Catholic workers' organization. In the following year he published his book *Črne bukve kmečkega stanu* in which he described and discussed in detail the economic and social conditions of the European peasant of the time. Despite the lack of statistical information and of an informational network at the time, Krek was able to provide information on conditions in the agricultural sector in North and South America.<sup>4</sup> It was his belief that the basic reason for the deteriorating position of low and middle income peasants—hence the book's title—was capitalistic liberalism and unlimited competition. The government policies of various countries were also, in his view, unfavorable, since they applied no protective measures for the agricultural sector.

Krek's contributions did not remain solely on the level of theoretical studies and discussions: he became actively involved in the organization and propagation of the cooperative movements among the Slovenes. In order to understand the true meaning of the Slovene cooperative movement, however, one has to understand that its aim was directed not only toward the improvement of the peasants' financial situation; the movement also had an important political role. The gaining of financial emancipation was the first step on the path to gaining political power, which would further contribute to the preservation of the Slovene national identity in the face of oppression by other ethnic groups in the same territory. As Krek pointed out in a letter to K. Moskerč in 1895,<sup>5</sup>

“. . . only a cooperative movement of the Slovene peasants can stop the Germanization and Italianization of our territory. . . If the Slovene peasants had already had their own loan institutions and savings banks, they would not have had to sell their land or borrow from foreign usurers.”

### Savings Banks and Loan Societies on Slovene Territory

In their organizational principles and operational rules the savings banks and loan societies in the Slovene lands followed the pattern of similar institutions in the Austrian and especially the Bohemian lands. The two types of loan societies and savings banks that were predominant in the Europe of the time were the *Raiffeisen* and the *Schulze-Delitzsch* types.

The founder of the *Raiffeisen* type of loan society was the German F. Raiffeisen (1818-1888). The basic principles followed were: each village or parish should have its own society; the society should be managed by peasants and be under the voluntary control of a respected villager; only the accountant should be entitled to receive monetary compensation for his work for the society; peasants who became members of the society thereby accepted unlimited liability for the society's obligations; the basic financial source was savings deposits; the society operated with promissory notes—bills of exchange were excluded from this type of society; and profits were not divided among the members, but rather used exclusively to enrich the loan funds.

The *Schulze-Delitzsch* type of loan society originated in Germany in the period between 1847 and 1850. Its basic principles were: to unite individual financial funds in one large fund, in order to be able to lend to those most in need; to be based on the principle of mutuality; and to ensure that paid up shares were entitled to profit.

The basic difference between the two kinds of loan society was that the *Raiffeisen* type was intended to serve the demands of needs of above all the peasants, while the *Schulze-Delitzsch* type did not exclude craftsmen, merchants and intelligentsia from its membership. The second important difference is to be found in the fact that the *Raiffeisen* loan societies did not accept shares and did not pay out profits (at least, not in their original form), while the *Schulze-Delitzsch* type put a strong emphasis on shares.

The first loan societies in Slovene lands were of the Schulze-Delitzsch type. The experiences achieved in other countries of Europe with this type of loan society were transferred to Slovene lands and adapted thereto by Dr. Michael Vošnjak. The first loan society was formed in 1872 in Ljutomer; this was followed by those in Postojna, Kranj, St. Jakob, and other localities in 1873. Vošnjak founded the first Association of Slovene Loan Societies in 1883; these linked together the fourteen societies already in existence.<sup>6</sup> Krek, who in general was not in favor of accepting positions on various boards, found this venture important enough for the future development of the cooperative movement that he accepted a position on its board.

Between 1872 and 1892 over 60 new cooperatives were organized in the Slovene regions. Krek became actively involved in promoting the cooperative movement through his speeches at Slovene national meetings. At a gathering of Slovene Catholics in 1892 he first sketched the socio-economic programme. From then on the cooperative movement took on a new force. The importance of Krek's influence on the emergence of the cooperative movement may be illustrated with the fact that during his most active years, i.e., between 1894 and 1912, more than 560 new cooperatives were initiated in Carniola.

It is beyond the scope of this paper to discuss Krek's political views in depth. His vision of prosperity for the Slovenes, however, was that through a concentration of Slovene capital the nation could gain enough economic power to govern the "state inside the state" under Austrian patronage.

Throughout its existence from the very beginning, the cooperative movement was subjected to opposition from wholesalers and from the wealthier merchants, who opposed cooperative consumer societies because they drove down the prices that were set by merchants.

The Raiffeisen loan cooperatives which operated on Slovene territory were in 1895 joined in the *Zveza kranjskih posojilnic* in Ljubljana. Krek, the initiator of this association, became its secretary. The association's aim was to promote cooperatives—not only financial cooperatives, but those for consumer goods—in all the Slovene lands. The *Gospodarska zveza*, which was founded in 1898, united all the product cooperatives. Subsequently a reorganization in 1900 resulted in the *Gospodarska zveza* uniting both of the associations, viz., covering both the credit cooperatives and the product cooperatives. It designed and guided its own policy of promoting the emergence and consolidation of cooperatives. This cooperative association brought about revisions by introducing commodity exchange and by selling agricultural goods. It owned a printing office and published its own bulletin; and the design, printing and distribution of various blank forms for use by loan societies simplified and unified their work.

Membership in the *Gospodarska zveza* was extended to include the participation of cooperatives in other territories, e.g., those in Dalmatia and Istria, which were gravitating economically toward Ljubljana. During that period the role of cooperatives and their associations began to change, in the sense that they became an important instrument in the struggle for political power between the two main movements: the Liberals and the Clericals.

In 1903 the association was again transformed, this time into the *Zadružna zveza*, which was an association for all cooperatives, and a new *Gospodarska zveza*, which was in charge of all matters connected with trade. The success with which the cooperative associations performed their functions may be recognized from the fact that in the early years of the century experts from Bohemia, Poland and Bulgaria began to visit Slovenia to examine their operation.

The *Zadružna zveza* had an important influence on the subsequent development of banking in Slovenia. Following the First World War and the attendant political and administrative changes, in 1920 the *Zveza* founded its bank, the *Zadružna gospodarska banka*, in which it placed deposits from cooperative loan societies. Apart from giving loans for investment in industry, the bank was oriented toward providing loans for the development of its own cooperative enterprises, such as oil-plants in Ljubljana and Kranj, other light industry, the *Union* hotel in Ljubljana, and the development of hotels in Bled and Bohinj.

Krek, who placed significant importance upon education and the broadening of both practical and theoretical knowledge, was also the founder of the first cooperative school, *Zadružna šola*, which was established in Ljubljana in 1908. It should be noted that this was not only the first school of its kind in the Slovene lands, but indeed the second such in Europe (the first having been founded in Darmstadt, Germany). The foundation of the first Slovene commercial pedagogical institution, the *Slovenska trgovska šola*, was another of Krek's contributions. Apart from the foundation of educational institutions, he also organized seminars and courses for homeowners, to acquaint the participants with the principles of the rational management of their property.

To conclude this brief note on Janez Evangelist Krek it should be again emphasized that his chief role was the promotion of, and the moral support that he gave to, the Slovene cooperative movement, rather than the organization of cooperatives themselves. His contribution, therefore, was in the successful fulfilment of his mission: the economic, cultural and national revival of the Slovenes.<sup>7</sup>

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## NOTES

\* The main reason that guided me to choose this topic was the fact that the honored late Dr. Hočevar's studies frequently focussed on financial intermediation and the beginnings of Slovene banking in the 19th century. In his works, especially *Slovenski družbeni razvoj* (New Orleans: Prometej, 1979); "Začetki slovenskega poslovnega bančništva, 1900-1912," *Bančni vestnik* 32/12 (1983) 335-43; and "Financial intermediation in a multiethnic state: the case of Slovene corporate banking in Austria, 1900-1912," *Slovene Studies* 8/1 (1986) 45-56, he emphasized the importance of the use of the Slovene language in financial service activities as a way of gaining national and economic emancipation. It is also my intention to highlight the role of the prominent theologian Dr. Krek, the founder of the Christian Socialist movement and one of the most important initiators and prime movers of the Cooperative movement.

1. Vinčo Brumen, *Srce v sredini* (Buenos Aires, 1968) 68.
2. Jože Rožman, "Življenje in delo Janeza Evangelista Kreka," *Kmečki glas* 44 (1987) 4.
3. Krek's letter to Peter Bohinjc, see Krek, *Izbrani spisi I* (1923) 80-81.
4. Krek, preface to "črne bukve," see Krek, *Izbrani spisi II* (1929) 255-286.
5. Rožman.
6. See *Kmetijsko zadružništvo na Slovenskem* (Ljubljana: Zadružna zveza Slovenije, 1983) 9.
7. Other sources: *Ob 50 letnici dr. Janeza Evangelista Kreka* (Ljubljana: Zadružna zveza, 1917); Dragutin Lončar, *Politično življenje Slovencev* (Ljubljana: Slovenska matica, 1921); Ivan Lapajne, *Jugoslovanski posojilničar in zadrugar* (Krško: privately published, 1922); Franc Ksaver Lukman, ed., *Slovenski biografski leksikon IV* (Ljubljana, 1932); Dolfe Schauer, *Prva doba našega zadružništva (od nastanka do leta 1895)* (Ljubljana: privately published, 1945); Vladimir Murko, "Zgodovina javnih denarnih zavodov," *Zbornik znanstvenih razprav* (Ljubljana: Juridična fakulteta) 21 (1946) 89-126; Janko Prunk, *Slovenski narodni programi* (Ljubljana: Društvo 2000, 1986); Janko Prunk, in *Prešernov koledar 1987*; and an interview with Tone Berkopce, dip. jur et oec., who has been professionally involved with the Cooperative Movement and its successors for several years, Ljubljana, 1988.

**POVZETEK****VLOGA DR. JANEZA EVANGELISTA KREKA V SLOVENSKEM ZADRUŽNIŠTVU**

*Avtorica obravnava vlogo dr. Kreka pri ustanavljanju posojilnic, hranilnic in predvsem zadrug na Slovenskem. V drugi polovici devetnajstega stoletja so bili gornji sloji prebivalstva na Slovenskem nemški, medtem ko se je večina slovenskega prebivalstva ukvarjala s kmetijstvom. Zaradi zaostalosti kmetijskega sektorja so bili slovenski kmetje zadolženi in odvisni od tujega kapitala. Dr. Krek se je zavedal, da je osnova razvoja slovenskega naroda v povečevanju gospodarske moči slovenskega kmeta. Pot k temu je bila organizacija posojilnic in kmečkih zadrug. Poleg teoretičnih utemeljitev se je dr. Krek izkazal tudi kot zavzet in uspešen organizator in agitator zadrugištva med slovenskimi kmeti. V času njegovega delovanja so ustanovili na Slovenskem 481 zadrug, kar je imelo tudi pomembno politično vlogo. Finančna in s tem gospodarska neodvisnost Slovencev od tujega kapitala je pomenila predpogoj za politično neodvisnost in ohranjanje slovenske identitete. Dr. Krek se je zavzemal predvsem za ustanavljanje posojilnic tipa Raiffeisen, ki so jih ustanavljali v vaseh in farah, da bi zružili kapital slovenskega kmeta in ga usmerili v lokalni razvoj. Dobiček se ni delil med deležnike pač pa je bil namenjen za obče potrebne naložbe na lokalnem nivoju. Kasneje sta bili ustanovljeni Zadrugna zveza ter Gospodarska zveza. Dr. Krek se je zavzemal tudi za izobraževanje zadrugnih delavcev. Na njegov predlog je bila ustanovljena v Ljubljani Zadrugna šola, ki je bila prva tovrstna šola v Avstriji in druga v Evropi.*