

# IDEOLOGY IN THE DEVELOPMENT OF LATVIAN CO-OPERATIVES FROM THE 19<sup>TH</sup> CENTURY TO 1934<sup>1</sup>

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**Abstract.** In this paper I will examine the ideology or the basic ideas upon which the co-operative movement in Latvia developed from its beginnings to 1934. The notion of co-operatives in Latvia entered mainly via literary sources in the early 19<sup>th</sup> Century. In particular, the translation into Latvian of the works of such people as the social reformist Heinrich Zschokke, the social reformer Johann Friedrich Oberlin and others. The ideas of the German co-operators Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen also had a lasting impact on the development of Latvian co-operatives from the second half of the 19<sup>th</sup> Century. During the interwar period of Latvian independence, such Latvian writers as Vilis Siliņš and Klāvs Lorencs, who had gained their experience of co-operatives abroad, were influential in the development of Latvian co-operatives in the 1920s. In addition, many books and pamphlets on co-operation were translated into Latvian and published during this period. These included the writings of Charles Gide from France, Johann Friedrich Schär and D'Henry Faucherre from Switzerland, Albin Johansson and Anders Hedberg from Sweden and Emma Freundlich from Austria, as well as others. Many new co-operative ideas were brought back to Latvia after Latvian participation at meetings of the International Co-operative Alliance and similar organisations, as well as attendance by Latvian co-operators at

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the International Co-operative Summer School held by the International Co-operative Alliance. After the coup d'état in 1934, the co-operative movement became an instrument of the state and fulfilled the instructions from the state. In general terms, it can be said that the intellectual impulses from Western Europe motivated and activated the formation and development of the Latvian co-operative movement, especially in the interwar period to 1934.

**Keywords:** Latvia, co-operatives ideology, International Co-operative Alliance.

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## Introduction

The co-operative movement in Latvia had a long history beginning in the 19<sup>th</sup> Century. In independent Latvia, it flourished from 1918 to 1934. The idea of a voluntary, democratic, and independent movement in a democratic and sovereign Latvia resonated with Latvians, especially in rural areas. The creation of the authoritarian state in 1934 took away self-initiative, democracy, and independence, which are the cornerstones of the co-operative movement.

The notion of co-operatives in Latvia entered mainly via literary sources in the early 19<sup>th</sup> century. In particular, the translation into Latvian of the works of such people as the social reformist Heinrich Zschokke, the social reformer Johann Friedrich Oberlin and others. The ideas of the German co-operators Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen also had a lasting impact on the development of Latvian co-operatives from the second half of the 19<sup>th</sup> century.

During the interwar period of Latvian independence, such Latvian writers as Vilis Siliņš and Klāvs Lorencs, who had gained their experience of co-operatives abroad, were influential in the development of Latvian co-operatives in the 1920s. In addition, many books and pamphlets on co-operation were translated into Latvian and published during this period. These included the writings of Charles Gide from France, Johann Friedrich Schär and D'Henry Faucherre from Switzerland, Albin Johansson and Anders Hedberg from Sweden and Emma Freundlich from Austria, as well as others. Many new co-operative ideas were also brought back to Latvia after Latvian participation at meetings of the International Co-operative Alliance and similar organisations, as well as attendance by Latvian co-operators at the International Co-operative Summer School held by the International Co-operative Alliance.

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## The beginnings: 19<sup>th</sup> century to 1918

There were a number of ideological currents which influenced the birth of the co-operative movement in Latvia. The 19<sup>th</sup> century was an age of a modernisation and new initiatives in the territory of Latvia. Former serfs became free farmers, the division between privileged and unprivileged people was gradually weakened through implementation of equal rights for all social classes (emancipation). An important part of the modernisation was the Latvian national movement (the “National Awakening”) and the emergence of the Latvian nation. Under new economic and social circumstances, Latvian farmers gained new self-confidence. Latvians turned from an ethnic community (ethnos) into a fully-fledged nation.

During the first half of the 19<sup>th</sup> century, there was an increase in the amount of information that was published in Latvian language – more diverse secular literature was available, as well as the first newspapers. A turning point for Latvians was the Revolution of 1905, which initially gained extensive support among Latvians. The revolution helped to formulate the interests of Latvians. The principal demands of Latvians were, amongst other things, agrarian reform and thus the elimination of the power of the German landed nobility. The harsh repression of the rebellion and the failure of the 1905 revolution, nevertheless facilitated political debates and the consolidation of various political directions in Latvia.

The ideas of self-help, mutual aid and co-operation were early brought to Latvia from abroad. Heinrich Zschokke’s<sup>3</sup> famous co-operative novel *Das Goldmachedorf* (The Goldmakers’ Village or in Latvian *Ciems, kur zeltu taisa*) was translated into Latvian and published in 1830.<sup>4</sup> It promotes collaboration and cooperation and a restrained moral way of life. The book was translated and localised from the German by the Reverend Lundberg of the Biržu and Sala congregation. Lundberg’s localisation allowed Latvian peasants to enter a new world of ideas. These are ideas regarding individual actions and co-operation or mutual help ideas. The translated story, vividly depicts the peasant’s current poor status, as well as providing a vision of a future better life.

The translation was enthusiastically supported by Garlieb Merkel<sup>5</sup>, who even corresponded directly with Zschokke regarding the book, as well as facilitating its

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3 Heinrich Zschokke was a German, later Swiss, author and reformer. Most of his life was spent, and most of his reputation earned, in Switzerland.

4 For detailed analysis of the book and its impact on the Latvian co-operative movement see Balodis, E. (1930), pp. 77–81.

5 Garlieb Helwig Merkel was a Baltic German writer and activist and an early Lettophile. He is most famed for his book about the Latvians, published in 1796,

publication and distribution.<sup>6</sup> Advanced subscription was opened in the newspapers “Provinzialblatt für Kur-, Liv- und Esthland” No. 48, 50. (1829) and “Latviešu Avīzes” No. 49 (1829); No. 2 (1830). By the time it was released to bookshops some 900 subscriptions were received.

Another important influence at this time were the writings of Johann Friedrich Oberlin<sup>7</sup>, and a book about his activities and achievements was translated into Latvian and published in 1836, as well several articles about him appeared in the Latvian newspapers at that time.<sup>8</sup> Interestingly, the great English social reformer Robert Owen, was also influenced by Oberlin’s work and ideas during his grand tour through France and Switzerland en route to the Congress of Europe at Aix-la-Chapelle in 1817.<sup>9</sup> Thus, both Latvians and some pioneers of British co-operation received impulses from one and the same source.

Ultimately however, it was the ideas of the German co-operators Hermann Schulze-Delitzsch<sup>10</sup> and Friedrich Wilhelm Raiffeisen<sup>11</sup>, which had a lasting impact on the development of Latvian co-operatives from the second half of the 19th Century, particularly Schulze-Delitzsch. In Latvia, the cooperative system which gained a foothold already in the late 19<sup>th</sup> century was essentially associated with were credit co-operatives (also referred to as savings and loan societies). A basic distinction could be made between urban cooperative credit institutions (Schulze-Delitzsch type) and rural savings and loan societies (Raiffeisen type).<sup>12</sup> Schulze-Delitzsch and Raiffeisen both established clear and binding rules for their cooperatives covering (1) membership, (2) operating capital, (3) the amount, term, and security of the loans, (4) interest rates, (5) dividends and paid-in shares,

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describing in the darkest terms the life of the Latvian peasantry and the atrocities of the Baltic German landowners and calling upon the Imperial Russian government to intervene and ameliorate the lot of the Latvians.

6 Balodis, E. (1930), pp. 82–86.

7 Johann Friedrich Oberlin was a Lutheran pastor and philanthropist, who dedicated his life to improving living conditions in his poor parishes in what is now the Alsatian region of France. He provided his parishioners with educational and economic opportunities in addition to spiritual guidance.

8 Balodis, E. (1930), pp. 72–74.

9 For a detailed examination of European influences on Robert Owen see Drolet, M. & Frobert, L. (2021), 175–190.

10 Hermann Schulze-Delitzsch promoted the co-operative idea in the area of small and medium-sized handicraft business. He also drafted the first law on cooperatives, which was passed by the Prussian National Assembly in 1867.

11 Friedrich Wilhelm Raiffeisen, initiated mainly cooperative self-help institutions based on charitable aid for the poorer rural population.

12 For a detailed examination see Aschhoff G. (1982), pp. 19–41.

and (6) reserve funds, entry fees, and annual contributions. While Raiffeisen founded credit unions solely on the mutual liability of members and the accumulation of a reserve fund, Schulze-Delitzsch insisted on capital participation. In most other respects they independently arrived at similar rules.

In 1862, German artisans in Riga started the credit co-operative *Der Vorschusskasse für Handvverker zu Riga*.<sup>13</sup> This was a society of the Schulze-Delitzsch type and its rules<sup>14</sup> were written in accordance with the *Statut des Vorschussvereins zu Delitzsch* as published in Schulze-Delitzsch's book *Assoziationsbuch für deutsche Handwerker und Arbeiter*, 1853.<sup>15</sup> It was not until the 1880s did articles appear in the Latvian Press suggesting the Raiffeisen type as well, but the Raiffeisen type never gained popularity in Latvia. At the beginning of the First World War there were more than 200 credit co-operatives in Latvia and almost all of them were of the Schulze-Delitzsch type.<sup>16</sup>

## Latvian Co-operatives 1918–1934

Although Latvia declared its independence on 18 November 1918, it was only in the second half of 1919 that the National government had stabilised. Latvia's economic situation at the end of 1919 and the beginning of 1920 was unenviable. Industry had collapsed, with buildings empty of machinery and other assets that had been evacuated to Russia in 1915.<sup>17</sup> The land was ruined and the population scattered. "Independence was proclaimed [...] with ruined industries, empty coffers and plundered rural economies."<sup>18</sup> There were major shortages of essential goods, which gave rise to the rapid expansion of black market speculators. However, in this situation cooperatives were able to provide a positive contribution to the economic recovery of the new state.

During the interwar period the Latvian co-operative movement was developing under influence of the co-operative ideologies and experiences of other, primarily Western, countries. A number of people, who were compelled to become political emigrants during the Tsarist regime, had made use of this time to study the co-operative movement abroad, and they now returned to Latvia. Such

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13 It was the first officially registered credit co-operative in Latvia.

14 For the full text of the rules see Balodis, E. (1928), pp. 38–46.

15 Balodis, E. (1928), p. 47.

16 Balodis, E. (1937), p. 4.

17 *The Latvian Economist* (1923), p. 159.

18 Hiden, J. & Salmon, P. (1991), p. 77.

Latvian writers as Vilis Siliņš and Klāvs Lorencs, who had gained their experience of co-operatives abroad, were influential in the development of Latvian co-operatives in the 1920s.

Vilis Siliņš (1879–1935) participated in the 1905 revolution and after its defeat in early 1906 went into exile to Finland, later to Switzerland. While in exile he studied the co-operative movements of Finland and Switzerland, as well as other countries. After 1920, he was a member of the Governing Council of the People's Bank of Latvia (*Tautas banka*), which was the bank founded by Latvian co-operatives. In the 1920s and early 1930s, Siliņš was involved in developing co-operation, being one of the leaders of the co-operative movement in Latvia. He edited the co-operative journal *Kopdarbība*, was a co-founder of the Union "Konsums" and up to 1931 head of its co-operation division and was a member of the Central Committee of the International Cooperation Alliance, as well as holding a number of other positions in the co-operative movement.

Klāvs Lorencs (1885–1971) was a Latvian social democratic politician and an influential activist within the co-operative movement in Latvia. Lorencs also participated in the 1905 revolution and after its defeat in early 1906 was arrested and exiled to Siberia, from which he escaped, ultimately working in Moscow in the co-operative field. He returned to Latvia in 1920. He was elected to all four *Saeimas* (parliament) pre-1935 and multiple times to the Riga City Council<sup>19</sup>, as well as being a Minister for Labour in the then government for a short time (1923). He was involved in the development of the co-operative movement in Latvia, especially consumer co-operatives and, as well as being the chairman of the Union of Latvian Consumer Co-operatives, he was the editor of their journal *Kooperators*.

In addition, many books and pamphlets on co-operation were translated into Latvian and published during this period. These included the writings of Charles Gide<sup>20</sup> from France, Johann Friedrich Schär<sup>21</sup> and D'Henry Faucherre<sup>22</sup>

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19 Lorencs was influential in the relocation of zeppelin hangers to become the iconic Riga Central Market.

20 Charles Gide (1847–1932) was a French economist and historian of economic thought. Gide was a champion of the cooperative philosophy, including both agricultural and consumers' cooperatives, and his book, *Consumers' Co-operative Societies*, which was published first in French in 1904, and in Latvian in 1922 (under the title *Kooperācija*), is a classic of co-operative economics.

21 Johann Friedrich Schär (1846–1924) was a Swiss educator and economist. He is considered a pioneer of the Swiss cooperative movement.

22 D'Henry Faucherre, 1941. Fifty years of activity The Co-operative Union of Switzerland (1890–1940). *Annals of Public and Cooperative Economics*, 17 (1), January. Wiley Blackwell, pp. 12–23.

from Switzerland, Albin Johansson<sup>23</sup> and Anders Hedberg<sup>24</sup> from Sweden and Emma Freundlich<sup>25</sup> from Austria, as well as others.

The central co-operative organisations of the three Baltic States started holding joint conferences in 1924. Such conferences took place in Riga (1924), Kaunas (1928), Tallinn (1929), Riga (1933) and Klaipeda (1935).<sup>26</sup> At these conferences were discussed such questions as educational work, exchange of price information, and extension of cooperation in various spheres. As a result of the 1928 meeting, a Baltic Union was formed, to act as centre of information and publicity, collector of statistics, and organiser of studies of various matters of co-operative interest.

The Central Union *Konzums* and the Union of Latvian Consumer Co-operative Societies were members of the International Co-operative Alliance (ICA)<sup>27</sup> and Latvian representatives participated in the Congresses of 1924 (Ghent), 1927 (Stockholm) and 1930 (Vienna). Vilis Siliņš represented Latvia on the Central Committee of the Alliance. Beginning in 1921, the Alliance held an annual international cooperative school at which economists, publicists, and cooperative leaders gave courses to students from nearly a score of countries including Latvia.<sup>28</sup> Numerous students were themselves officials of national cooperative organisations. Many Latvian co-operators attended the International Co-operative Summer School held in various countries by the ICA – in Hamburg (1928), Vienna (1930), Basel (1931) and Stockholm (1936). In addition, there were several exchange visits in order to study the co-operative movements of Sweden,

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23 In 1907, at the age of only 21, he became head of the auditing department of the Kooperativa Förbundet. After a study trip to Germany in 1913 he persuaded several competing cooperatives to join forces to form the large cooperative Konsum Stockholm.

24 Hedberg was employed in 1920 in the Cooperative Association and was active there with organizational and propaganda tasks and as an international liaison. He published a large number of cooperative writings, many of which were published in several editions and translated into several languages. Hedberg was a member of the board of the International Cooperative Alliance from 1929.

25 Emma Freundlich President of the International Cooperative Women's Guild (ICWG) 1921–1948. Representatives established the Alliance's aims to provide information, define and defend the Co-operative Principles and develop international trade.

26 Šalčius, P. (1936), p. 3. This was a more or less translation of Šalčius, P. (1935). Ten Years of Co-operation in the Baltic States. *Review of International Co-operation*, No. 10, 1935, London, which was published over a number of issues in the co-operative journal *Kopdarbība*, Issues nos. 15, 16, 17 and 18, 1936.

27 Founded in 1895, the International Co-operative Alliance was (and still is) an independent, non-governmental organisation which united, represented and served co-operatives worldwide.

28 *Monthly Labor Review* (1944), p. 1162.



Finland and other countries. The co-operative ideas resulting from these international relations were discussed later in the many co-operative journals published in Latvia, including *Kopdarbība*, *Kooperators*, *Balss*, *Koperatīvais credits*, and *Kooperatīvā apdrošināšana*.

In addition, there were some other organisations in Latvia intended especially for co-operative studies and discussions. One of the oldest was the Society of Students of the Latvian University for the Promotion of Co-operation (*LU Studentu kooperācijas veicināšanas biedrība*) founded in 1922. The aims of the Society were to unify academic staff that agree with the idea of co-operation; to teach and to educate their members for practical participation in co-operative activities; and to disseminate correct views on the need for co-operation in the nation's economy.

In 1927, the Society of Latvian Co-operators (*Latvijas kooperatoru biedrība*) was founded.<sup>29</sup> Its basic aim was to further the development of the co-operative movement in Latvia. In the following year, 1928, the Latvian Society for the Promotion of Co-operation (*Latvijas kooperācijas veicināšanas biedrība*) was established.<sup>30</sup> It was a parallel organisation to the Society of Latvian Co-operators and was founded to bring together the left direction co-operative personnel. Its aims were to further and explore the various practical and theoretical issue of co-operation, how co-operative relationships relate to other types of worker movements, the principle of neutrality, co-operatives and local government, potential for cooperation of Latvian Consumer and Farmers co-operatives and regulation of their mutual relationships, etc. The new Society would pay greater attention to co-operative propaganda.

## Latvian Co-operatives after 1934

On 15 May 1934, under the leadership of the then Prime Minister, Kārlis Ulmanis and the Minister for War Jānis Balodis, the home guard and the army carried out a *coup d'état*. Ulmanis dismissed the Saeima (parliament), banned all political parties, closed most newspapers, and promised a new constitution (which never eventuated). The reasons for *the coup d'état* were more political than economic in nature.<sup>31</sup> However, the authoritarian regime actively influenced the economic life of the country.

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29 *Daugavas Vārds* (1927), No. 20, p. 3.

30 *Kooperatīvais Kredits* (1928), No. 2, p. 96.

31 Aizsilnieks, A. (1968), p. 600.



If individual empowerment, shared ownership, and democratic control are key concepts of co-operative ideology, then the advent of the authoritarian Ulmanis regime in 1934 spelled the death knell of co-operatives in Latvia. As from 1935 no Co-operative Congresses were held and Latvian representatives no longer participated in the International Co-operative Congresses. Instead of being free to deal with problems of co-operative ideology, the main task of co-operative organisations was seen as supporting and furthering the economic policies of the state.

On 18 June 1937, the regime issued a new law, the “Law on Co-operative Societies and their Unions” (*Likums par kopdarbības sabiedrībām un to savienībām*<sup>32</sup>). All previous laws and regulations regarding co-operatives were repealed. This law radically transformed the essence and substance of the co-operative movement. The law changed the aims of the co-operative movement. In place of the democratic principle of co-operatives was instituted the authoritarian principle. For example, the highest instance of supervision over the co-operatives was entrusted to Agricultural and Finance Ministers (Section 212). Co-operatives where the leadership was not sympathetic to the regime were either forced to cease operations or the leadership was purged. With the new law, the co-operative movement became an instrument of the state and fulfilled the instructions from the state.

## Conclusion

The co-operative movement in Latvia had a long history beginning in the 19<sup>th</sup> century. In independent Latvia, it flourished from 1918 to 1934. The idea of a voluntary, democratic, and independent movement in a democratic and sovereign Latvia resonated with Latvians, especially in rural areas. In general terms, it can be said that the intellectual impulses from Western Europe motivated and activated the formation and development of the Latvian co-operative movement, especially in the interwar period to 1934. The creation of the authoritarian state in 1934 took away self-initiative, democracy, and independence, which are the cornerstones of the co-operative movement. As state power grew and became more concentrated, the more oppressive it turned out to be regarding the co-operative movement, until the oppression reached its culmination with the invasion of Latvia in 1940 by the Soviet Union and the long night of the Soviet occupation.

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32 For the full text of the law see *Likumu un Ministru kabineta noteikumu krājums* (1937), pp. 925–946.

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