

Overview of Christian involvement in the establishment of new financial institutions in the 18th and 19th centuries¹

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Summary

This paper seeks to establish that Christians have a rich heritage in establishing financial institutions during the eighteenth and nineteenth centuries which brought about many economic and social benefits to the nation. Christians today can take encouragement from such institutional entrepreneurship as a means of tackling growing economic and social tensions in twenty first century society.

The economic and related social problems of today can seem massive, ingrained and ultimately unchangeable. But this paper argues that local financial institutions can be relationally enriching and an especially practical means of demonstrating the gospel. For example, Christians, of the nineteenth century in particular, were able to bring liberty from oppressive lenders, security in times of uncertainty and multi-faceted behavioural and relational improvements to those who used the institutions by engaging with institutional entrepreneurship.

Before exploring the nature of Christian engagement with the origin of these financial institutions, this paper looks briefly at the spiritual revivals that prepared the way for such institutions to flourish. The first revival was the Methodist movement of the eighteenth century led by the John and Charles Wesley; and then the late eighteenth and early nineteenth century Evangelical revival as exemplified by the works of political leader William Wilberforce and moral writer Hannah More.

Six popular types of financial institutions that emerged in this period are then introduced in relation to their function and extent of Christian involvement. These institutions are: friendly societies which regularly collected money, typically from groups of tradesmen, to provide a variety of benefits in the event of illness, injury, old age or death; mutual insurance companies which eventually replaced friendly societies with the provision of more stable commercial personal insurance services; terminating building societies that enabled small middle-class groups to pool resources to finance the construction of their new homes; credit unions which, originating in Germany, organised the working-classes collectively to seek commercial loans that were not otherwise available to them as individuals; local savings banks for the working-classes that paid interest in return for taking small and regular deposits; and finally, the cooperative movement which promoted, across a wide range of economic activities, profit-sharing based upon the level of 'cooperative' contribution from stakeholders rather than the level of capital they had invested. Christians played an important role in the emergence of these institutions and were often directly involved in the very first

institutional experiments. Christians were also responsible for their ongoing reform and campaigned for Government to adopt certain practices into law.

There are four broad principles from this period that Christian institutional entrepreneurs of today can seek to apply. First, the movements were started by local leaders in their local communities. Aside from the cooperative movement the leaders aspired to confront their local economic problems and were not distracted or overwhelmed by wider economic concerns. Second, they often did not wait for government action but, whilst working within the law, defined working templates for others to imitate and government to legislate for. Third, they were not afraid to work alongside those outside the church that had already initiated new institutions. Finally, the institutional entrepreneurs of the eighteenth and nineteenth centuries recognised that economic issues are inherently social issues. They demonstrated that financial innovation and assistance can be integral to the mission of the local church to extend God's Kingdom.

There is a pressing need for Christians to take the lead and continue developing new financial institutions as a means of expressing their Christian beliefs and addressing Capitalism's moral flaws and social consequences.

Spiritual revival and financial innovation

The Methodist and Evangelical revivals brought momentous change to British society by challenging the beliefs across the social strata of the nation at the time. In time, the revivals developed both a widespread appetite for financial and social improvements and a desire of the middle- and upper-classes to nurture the emergence of financial institutions that could facilitate such improvements.

The eighteenth century Methodist movement is noted for including well-paid and influential artisan or middle-class individuals.¹ It also included a number of the aristocracy, notably Selina Hastings (Lady Huntingdon) who organised Methodist meetings and provided large amounts of funding to the movement.² Such was the extent and influence of the Methodist revival upon the country, the historian Élie Halévy famously argues that it averted a revolution such as the one which violently overtook France during the late

¹ Ian R. Christie, *Stress and Stability in late eighteenth-century Britain: Reflections on the British avoidance of revolution*, (Oxford: Clarendon Press, 1984), p. 205

² Abel Stevens, *The history of the religious movement of the eighteenth century, called Methodism*, 1, (London: Carlton & Porter, 1858), pp. 165-171.

eighteenth century.³

Following the Methodist revival, the Evangelical revival was a movement to transform the Anglican Church away from the Anglican hierarchy and its abuses of religious power. As the Evangelical movement grew during the turn of the nineteenth century, it had numerous social ramifications, especially upon the relationship between the rich and the poor.

Evangelical writer and educationalist Hannah More recognised that for significant change to occur the nation required a true reformation of morality amongst the rich and influential:

*'Reformation must begin with the GREAT, or it will never be effectual. Their example is the fountain whence the vulgar draw their habits, actions, and characters. To expect to reform the poor while the opulent are corrupt, is to throw odours into the stream while the springs are poisoned.'*⁴

Such views attracted strong criticism from within the church since More was perceived as encouraging the enlightenment of the common people. Oxford Don and Anglican priest, Dr Edward Tatham, complained to More on this issue and suggested her work was undermining the social order of the nation.⁵

In his study of middle and upper-class attitudes towards the poor in the 1830s and 1840s David Roberts draws attention to the Evangelical revival and its impacts upon a new paternalism. He explains that:

*'No other intellectual development had a greater impact on the revival of paternalism than the new seriousness with which early Victorians took of their religious faith [...] This new seriousness led to a demand that ecclesiastical institutions play a much larger role in society and to a belief that the answer to social problems lay with the moral efforts of the individual. "There is no other means whereby nations can be reformed," wrote [Robert] Southey "than by that which alone individuals can be regenerated."*⁶

³ Élie Halévy, *A history of the English people in the nineteenth century*, trans. by E. I. Watkin and D., A., Barker, (New York: Barnes & Noble, 1961)

⁴ Hannah More, *Thoughts on the importance of the manners of the great to general society*, (London: Cadell and Davies, 1788), p. 116

⁵ Hannah More to William Wilberforce, August 1796, quoted in Anne Stott, "A singular injustice towards women": Hannah More, Evangelicalism and Female Education', in *Women, Religion and Feminism in Britain, 1750-1900*, by Sue Morgan ed, (Basingstoke: Palgrave MacMillan, 2002), pp. 23-38 (p. 32).

⁶ David Roberts, *Paternalism in early Victorian England*, (New Brunswick, New Jersey: Rutgers University Press, 1979), p. 60.

One of the most prominent leaders of the Evangelical revival was William Wilberforce. Known for leading the abolitionist movement he is also notable for his impact upon the church and wider political affairs of the nation. Distinctively, at the heart of his motivation for social change was a reverence for God's glory and the 'peculiar doctrines' of the gospel - the absolute corruption of man, the atonement of the Saviour and the indwelling and sanctifying power of the Holy Spirit. Christian writer John Piper, in his biography of Wilberforce, draws attention to this primary motivation in tackling social injustices as being not the impact of injustices upon society, but the impact that they had upon society's Maker.⁷ Piper continues that Wilberforce believed, 'the good of society may never be put ahead of [reverence for God's glory]. That would dishonour God and, paradoxically, defeat the good of society. For the good of society, the good of society must not be the primary good.'⁸

Wilberforce observed quite the opposite amongst the Christian political and social elite who focussed upon knowledge of Christian ethics rather than the 'peculiar doctrines' of the gospel that Wilberforce believed brought true affection for God and led to unyielding zeal for the moral life and political welfare. To address this imbalance between the morality of the upper-classes and the profession of their faith Wilberforce wrote 'A Practical View of the Prevailing Religious System of Professed Christians in the Higher and Middle Classes in this Country Contrasted with Real Christianity'. Despite Wilberforce's confrontational approach the book became extremely popular; it was published in five languages and reprinted five times in six months. Wilberforce and others were largely successful in challenging the beliefs of the elite and this indeed brought about the reformation that Hannah More was calling for in her early writings.

Sociologist Christie Davies describes the influence of Evangelicalism upon the nineteenth century as a 'period of striking moral reform in personal behaviour which transformed Britain from being a violent, dishonest and addicted society into a peaceable, law abiding, respectable and essentially moral realm.'⁹ A more specific manifestation of this transformation is documented by the religious historian David Hempton and gender historian Myrtle Hill in their observations of the Evangelical revival in Ulster in the eighteenth and nineteenth centuries. They note that Evangelicalism

⁷ John Piper, *Amazing grace in the life of William Wilberforce*, (Nottingham: Inter Varsity Press, 2007), p. 24.

⁸ Piper, p. 24.

⁹ Christie Davies, 'Moralization and demoralization: A moral explanation for changes in crime, disorder, and social problems', in *The loss of virtue: moral confusion and social disorder in Britain and America*, ed. by Digby C. Anderson, (London: Social Affairs Unit, 1992), pp 1-13 (p. 4).

became well established throughout the Ulster communities, was not confined to gender or social class and was influential in establishing behaviour patterns throughout society.¹⁰

In his discussion of the influence between Evangelicalism and the economics of Capitalism upon nineteenth century Britain, the historian Boyd Hilton concludes, 'the way in which Evangelicals made an impact out of all proportion to their numbers was by establishing a moral hegemony over public life.'¹¹ This moral hegemony prepared the way for the establishment of new financial institutions that transformed the financial and social habits of a nation. In particular, these new institutions encouraged personal responsibility through thrift, and community cohesion through wider social interaction. The role of Christians in establishing these institutions was significant but cannot be fully appreciated without first understanding their role in preparing the nation's moral sensibilities.

The Evangelical revival also had an influence upon the Quaker community which broadened their beliefs beyond solely internal conviction and experience. The Evangelical influence emphasised the role of Scripture as equal to, or even as having authority over, the Inward Light and brought a new inclination towards conversion and working with those outside the Quaker community, including parts of the wider church.

Friendly Societies and Mutual Insurance Companies

Friendly Societies can be viewed as the forerunner of all the financial institutions that this paper considers. This is largely because they were the first mutual institution permitted by law for working class people and were an organisational success that inspired others to form similar institutions.

The primary role of friendly societies was to collect regular contributions from members and provide payments in the event of sickness or injury. Payments were also made in the form of old age pensions and death benefits which included burial costs. It is popularly understood that these societies originated from the medieval and early-modern craft guilds, since they often consisted of an exclusive type of craftsman.¹² They also had similar 'rich

¹⁰ David Hempton and Myrtle Hill, *Evangelical Protestantism in Ulster society, 1740-1890*. (London: Routledge, 1992), pp. 131, 189.

¹¹ Boyd Hilton, *The Age of Atonement: The Influence of Evangelicalism on social and economic thought*, (Oxford: Clarendon Press, 1988), p. 219.

¹² Bernard Harris and Paul Bridgen, 'The "Mixed Economy of Welfare" and the Historiography of Welfare Provision', in *Charity and mutual aid in Europe and North America since 1800*, ed. by Bernard Harris and Paul Bridgen, (London: Routledge, 2007), pp. 1-18 and Margaret D. Fuller, *West Country friendly societies*, (Lingfield: Oakwood Press for the University of Reading, 1964). pp.

associational cultures¹³ which included official positions, elaborate titles, costumes, rituals, annual feasts, initiation ceremonies and explicit behavioural regulations such as the prohibition of gambling¹⁴ which all served a secondary social purpose of binding members together.

Due to their typical composition of poor and illiterate working class men, few records of the earliest societies remain and so it is difficult to establish how friendly societies first emerged. However, we do know that friendly societies have existed in Britain since at least the seventeenth century as Daniel Defoe noted in 1697 that 'friendly societies are very extensive.'¹⁵ It was not until the late eighteenth and early nineteenth centuries that their numbers increased significantly. This accelerated again after 1850 following rapid urbanisation with the associated loss of social and family ties which rural migrants once enjoyed.¹⁶

Since trade combinations (early trade unions) were illegal, for fear of revolutionary uprisings, many combinations called themselves friendly societies to avoid unwanted interference. Indeed, following their craft guild predecessors, some early friendly societies did have a dual role of a trade combination and benefit club. However, in the middle of the eighteenth century friendly societies began to extend membership to other trades beyond a particular type since, as historian Margaret Fuller highlights in her study of West Country friendly societies, 'to a true friendly society there was a definite advantage in mixed trade membership, for the society as a whole was not then so severely vulnerable to fluctuations or accidents in any one industry'.¹⁷ Thus, 'true' friendly societies emerged that were solely concerned with the welfare of members and not the working conditions or wages of a particular trade.

Similarly, Freemasonry associations which included similar rituals, ceremonies and titles were often referred to as friendly societies. Again, it was not until the end of the nineteenth century that a distinction between Freemasonry associations and 'true' friendly societies had occurred.¹⁸

In addition to continuing the tradition of craft guilds, the single

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¹³ Harris and Brigden, p. 3.

¹⁴ Daniel Weinbren, 'Supporting self help', in Bernard Harris and Paul Bridgen eds., pp. 67-88 (p. 70).

¹⁵ Quoted in Seymour Price, *Building societies, their origin and history*, (London: Franey, 1958), p. 9.

¹⁶ Harris and Brigden, p. 3 and Esmond John Cleary, *The building society movement*, (London: Elek Books, 1965), p. 9.

¹⁷ Fuller, pp. 4-5.

¹⁸ Fuller, p. 81.

most important factor in the growth of friendly societies was the failings of the Poor Law and this is where Christian involvement is first documented.

As a result of urbanisation and the enclosure laws, workers often became landless and without means to produce food for themselves. Additionally, wages were particularly low since the Law of Settlement often perversely restrained labour to places of over-employment. Consequently, in the late eighteenth century, particularly in the south of England, pauperism was rife and the Poor Rate (that funded the Poor Law) charged to middle-class property owners was becoming unacceptably high. Self-funding mutual benefit clubs in the form of friendly societies provided an attractive alternative and this is where Christian influence was most evident.

The advantages of self-funding friendly societies were recognised by Thomas Alcock, a Church of England clergyman. He began to promote friendly societies in 1752 with the publication of 'Observations on the Defects of the Poor Law'. From observations of friendly societies across England and Holland, Alcock noted that if 'there were more of these Confraternities, they would give no small Easement to Parishes, and be a much more genteel way of supporting unfortunate Tradesmen.'¹⁹

Towards the end of the eighteenth century it was becoming increasingly recognised that friendly societies would reduce poor rates and Thomas Gilbert, author of Relief of the Poor Act 1782, even suggested that the Poor Rate could be used in the promotion of friendly societies.²⁰

Christian involvement in friendly societies was not without disagreement and in 1786 Rev. Townsend also called for increasing the number of friendly societies substantially but, influenced by Bentham's utilitarianism, he controversially suggested coercion over the accepted practice of voluntary membership. '...the system of Friendly Societies should be pushed as far as it will go. It should be firmly established, made universal and subjected to wholesome Regulations to drive them into these Societies. No man should be entitled to relief from the [Poor Law] who did not belong to one of them.'²¹ Rev. Townsend's proposals were never implemented.

In spite of the increasing popularity of friendly societies, there still

¹⁹ Thomas Alcock, *Observations on the defects of the poor law and on the causes and consequences of the great increase and burden of the poor, with a proposal for redressing these grievances, in a letter to a Member of Parliament*, (London: Baldwin and Clements, 1752), p. 37.

²⁰ Fuller, p. 7.

²¹ Townsend Rev., cited in Fuller, p. 8.

remained problems concerning the internal management of societies which were often open to abuse. Legislation that provided tax incentives to friendly societies to form and legal protection against fraud was introduced in the Friendly Societies Act of 1793. The Act legislated against the misuse of funds through theft, embezzlement and misappropriation by enabling legal settlement of claims to be made by aggrieved members.²² The Act, along with the combination Acts 1799 and 1800, was also intended to weed out the combination clubs by requiring the submission of every society's rules to the Justices of the Peace for enrolment and approval.²³

Despite the progress made in the 1793 Act, friendly societies were still vulnerable to poor practice. For example, when a particular fund held a large surplus it was not uncommon or illegitimate for the members to pay very generous sick payments or simply to split the funds between themselves. This may have been acceptable when everybody was of working age but of little use when the fund was meant to support them later on in old age. It was even reported that some societies simply refused to pay members in their old age, leaving them deprived of any support.²⁴ It was clear that professional skills and local patronage would benefit the movement. To that end, the Friendly Society Act of 1829 appointed a barrister to ensure that the actuarial calculations of each society were of a sufficiently high standard.

One further problem remained: the influence of pub landlords who encouraged the use of public houses for society meetings which inevitably led to the misuse of society funds on excessive drinking. On this matter of improving local patronage, Christians were at the forefront of reformation. Rev. Cunningham, Vicar of Harrow who worked with over 60 friendly societies, was an outspoken critic of the influence of landlords and declared 'friendly societies, as now constituted, are a very questionable benefit; that if they promote habits of saving on the one hand, they promote habits of expense and profligacy on the other; and that they are, in fact, benefit clubs for the benefit of the publican than of the public.'²⁵ Unsurprisingly, Rev. Cunningham suggested solutions lay in prohibiting societies from meeting in public houses and encouraging clergymen, in conjunction with parish authorities, to establish friendly societies that met anywhere else. Rev. Cunningham's proposals were

²² Fuller, p. 8.

²³ Fuller, p. 8.

²⁴ McCulloch, J., R., *An essay on the circumstances which determine the rule of the wages and conditions of the working classes*, Edinburgh, 1826, p. 208, quoted in Fuller, p. 13.

²⁵ John W. Cunningham, Rev., '*A few observations on friendly societies*', *The Pamphleteer*, 22, (1823) pp. 155-167 (p. 165).

unofficially adopted by Government.²⁶

It often took some time for members of friendly societies to be convinced to join their new patrons generally because the new, or reformed, societies lacked feast days or other drinking events. However this was overcome by stimulating interest in other types of activities. The clergy again led reforms as Rev. Toogood explains 'there was a club in this parish but not on good principles, and I was anxious to confer a greater benefit on the people. We wished to unite and improve the old Club.'²⁷ Elsewhere, Rev. Fitzgerald included a walking day in forming his society which he attributed to attracting enough members to remain successful.²⁸ The sisters Hannah and Martha More also promoted friendly societies across the Cheddar region that were linked to their Sunday Schools. In response to the problematic feast days Martha More noted, 'we have an anniversary feast of tea, and I get some of the clergy, and of the better sort of people, to come to it. We wait on the women, who sit and enjoy their dignity.'²⁹

In time, the once drunken feast days were transformed and, like the tea parties organised by the More sisters, were often occasions when different classes would meet together on a social basis. Although members sometimes resented sacrificing their perceived independence to the new patrons, they brought greater stability and access to professional expertise.

Christian influence in the movement continued with Rev. Becher³⁰ who contended that sickness payments could be calculated on an improved scientific basis.³¹ As such, a central office storing five yearly returns of personal and society account details was established in the Friendly Society Act of 1846. This central office also allowed patrons to exchange information and advice on best practice. The 1846 Act also appointed a Registrar of Friendly Societies who oversaw the formation of every new society. The barrister John Tidd Pratt first occupied the post followed by Christian Socialist John Malcolm Ludlow from 1870 to 1891.

Despite much improvement through the elimination of excesses, a stronger balance of contributions and payments and legal protection against fraud, friendly societies started to diminish from the middle of the nineteenth century. Not enough people were joining societies in rural areas to keep them financially stable whilst

²⁶ Fuller, p. 17

²⁷ Rev. Toogood, unpublished diary, p. 13, cited in Fuller, p. 18.

²⁸ Fuller, p. 21

²⁹ Martha More, *Mendip annals*, (London: J. Nisbet and Co., 1859), p, 66.

³⁰ Described as being especially active in the friendly society movement, Weinbren, p. 77

³¹ Fuller, p. 23

others did not want to join established societies with a high average age. Greater competition was also found in the Freemasonry associations that had gained a foothold in urban populations from the 1840s onwards. Finally, the emergence of mutual insurance companies and the legalisation of trade unions in the Trade Union Act 1871 meant that patronised friendly societies had yet more rivals for membership.

Once definitive lines began to be drawn between 'true' friendly societies, trade unions and freemasonry associations, welfare provision in the form of sick benefits and old age pensions formerly provided by such societies began to take a more commercial route.

Mutual insurance companies were formed along essentially commercial lines rather than philanthropic or charitable grounds. Little is documented on those that were first established but we know that established in 1696, Hand-in-Hand was one of the first British mutual insurance companies. Members of Hand-in Hand were liable for any losses the company made but also shared any profits. But it is not until the nineteenth century that mutual insurance companies started to flourish in the UK. In 1826 the Shepherds Friendly was established and as the title suggests, it was closely linked to the Ancient Order of Shepherds Freemasonry association.

The first record of Christian involvement in the sector is the formation of The Friends Provident Institution in 1832 by Quakers Samuel Tuke and Joseph Rowntree. The Institution was founded after Tuke and Rowntree both witnessed the death of a 30 year old school master who failed to make financial provision for his dependants. Since Quakers lived to strict lifestyle principles and had an above average life expectancy, policies and membership of the Institution was exclusively for Quakers; it was not until 1915 that membership was opened to the public.

In summary, 'true' friendly societies were highly successful in administrating local welfare provision. It is estimated that friendly societies of the eighteenth and nineteenth centuries made an annual saving of £2 million in Poor Rates.³² Christians, particularly the Anglican clergy, spearheaded their promotion and legislative safeguarding from the mid-eighteenth to mid-nineteenth century. However Christians were not always in agreement about the best means of promoting friendly societies. Rev. Townsend, for example sought government coercion whilst others sought improved local patronage and voluntary membership. Given the

³² Fuller, p. 35

informality of such societies, legislation did not always enjoy universal success, but the examples set by many Christian patrons improved their financial stability and moral condition which led to their increased social benefit. Despite some protestation by members to a loss of independence, the patronised societies provided a forum for the working class to both interact with other social groups and access professional expertise. These reformed societies brought much needed financial security to many in times of sickness and old age and also provided a place for learning basic financial acumen, as well as administrative and leadership skills.

For Christians today, friendly societies provide an example of how Christians became involved alongside others in a fledgling financial movement. They instigated reform through local patronage and promotion of higher professional practices whilst successfully campaigning for national coordination and legislative protection.

Although there is no clear record of Christian involvement in the flurry of the very first mutual insurance companies, the Friends Provident Institution is a lasting example of Christian involvement from the early stages of the mutual insurance industry.

Building Societies

Stemming from the friendly societies movement, building societies developed in the late eighteenth century in response to urbanisation, rapid population growth, trends towards property ownership, growing financial sophistication and self-help ideology.³³ However, compared to friendly societies the subscription fees were significantly higher and membership was for the higher paid worker, typically artisans, local traders and small manufacturers.³⁴

The building society historian Seymour Price credits the rise of building societies directly to the Methodist revival. Indeed Price contends that, aside from the establishment of Lending Stock,³⁵ medical dispensaries and Strangers Friend societies, the greatest social contribution of John Wesley, as leader of the Methodists, was the rise in domestic aspirations which flowed from the revival:

Their homes were to be sweeter and richer in the best things

³³ Oscar R. Hobson, *A hundred years of the Halifax: the history of the Halifax Building Society, 1853-1953*, (London: Batsford, 1953), p. 3 and Rosine Hart, 'Weavers of profit: terminating building societies in Lancashire, 1780-1840', *Financial History Review*, 16, (2009), pp. 27-45 (p. 1).

³⁴ Cleary, p. 9

³⁵ From which loans were made, repayable within three months by weekly instalments, Price, p. 12

in life, for the revivalists had preached new and higher moral standards [...] Friendly societies had shown the possibility and advantages of cooperation [...] [and the revival], in reminding men that they were spiritual beings, had inspired them with the desire, among other things, for home conditions better and worthier than had been known. Building Societies were an obvious necessity.⁸⁶

Terminating societies were the earliest type of building society and are considered to be 'pure' in that they were designed to exclusively facilitate the building of new homes. Unlike contemporary building societies, they did not partake in deposit or investment accounts nor did they facilitate the purchase of existing homes.³⁷ As Mark Boleát describes in his history of building societies:

'[Terminating societies] existed to provide each member, and no one else, with a house paid for out of their funds. The members, generally artisans, numbered not more than twenty and they paid an agreed sum fortnightly or monthly into the funds of the society. When sufficient money had accumulated, land was bought and building commenced. Lots were drawn to decide the order of allocation of the houses although sometimes societies auctioned off this priority to the highest bidder. Members continued making regular payments until the members had been housed and the society then terminated.'⁸⁸

Experimental terminating societies originated simultaneously without much certainty as to who established the first.³⁹ Nonetheless, 1775 saw the establishment of the first recorded terminating society in Birmingham and many others soon emerged elsewhere in the West Midlands. Price observes that it was common for clergy, amongst other professionals and businessmen, to provide expertise as trustees in these early societies.⁴⁰

Of the first 15 recorded terminating societies formed after 1775, at least two of these benefited from Christian influence and it was perhaps these two societies that were the most influential in the early movement. In 1779 Dudley Building Society was the second recorded society to be established and included two Christians, Rev. Cartwright and Joseph Wainwright, out of the four founding

³⁶ Price, p. 13

³⁷ Price, p. 19

³⁸ Mark Boleát. *The building society industry*, (London: Allen & Unwin, 1982), p. 1.

³⁹ Price, p. 14.

⁴⁰ Price, p. 15.

trustees. Rev. Cartwright and Wainwright were both involved with other political, commercial, religious and social activity in the town. In contrast to the poor or corrupt management of the other early societies, Dudley Building Society is recognised as one of the most successful.⁴¹

Founded in 1793, Longridge Building Society was the second society recorded as the subject of Christian influence through Robert Parkinson, Curate of the Chapelry of Longridge, who helped establish the society. Although certainly not the first society to be established, with the assistance of loans by Parkinson, the society was the first to deliver houses to its membership. Between 1794 and 1804 the 20 homes forming Club Row Terrace were the first developed through the financing of a Building Society.⁴² Additionally, Longridge was also the first society to include fines for poor behaviour, namely, 'quarrelsomeness, swearing, cursing, gaming, being garrulous or divulging secrets.'⁴³ As a further demonstration of its considerable influence, it was the only terminating society of the eighteenth century to establish two other societies from the original membership.⁴⁴

Members of these early societies were sometimes required to occupy official positions on a six monthly rotation basis. This was enforced by a fine system for non-compliance and had a dual function. Firstly, it involved members in the detailed aspects of the society, and secondly, it ensured some degree of security by enabling members to check on each other from a variety of operational viewpoints.⁴⁵

Terminating societies continued into the nineteenth century. Some were successful in developing houses for their membership, whilst others failed to develop any houses at all.

During this period, Christians were also involved in establishing similar organisations for the purpose of developing houses for rent. In 1779 Rev. Bassett, Vicar of Swansea, established a Union Society that built fifteen houses to rent. It is likely that the society had a strong charitable emphasis given the board of five was constituted always to include at least three local alderman.⁴⁶

By the 1840s, it was much less common to invest money collectively into societies for housing development, but for societies to advance capital for the purchase of existing houses or the

⁴¹ Price, p. 24.

⁴² Price, p. 50.

⁴³ Price, p. 35.

⁴⁴ Price, pp. 59-65.

⁴⁵ Cleary, p. 14.

⁴⁶ Cleary, p. 10.

construction of new houses by individuals. In addition, the encouragement of thrift and sobriety by politicians and church leaders also helped develop a market for savings. Building societies now started to open their membership to depositors (which also enabled them to increase lending for housing development). Thus, a permanent form of building society emerged that operated on a rolling basis.

It was during the 1840s that the permanent building society movement was properly established. James Henry James' pamphlet promoting permanent societies in 1845 coincided with the first such society, The Metropolitan Equitable. But it was the publication of Arthur Scratchley's 'Treatise on Building Societies' in 1847 to which the wider popularisation of the permanent movement is attributed. It was these permanent societies that Scratchley promoted which are the foundation of building societies as we know them today.

To conclude, terminating building societies emerged amongst the middle-classes and, whilst they had some operational similarities to friendly societies, were more sophisticated, more formal and better managed than their counterparts from the start. However, Christian influence can still be found to increase the level of honest management. Such involvement can be found in the form of trustees in both Dudley and Longridge Building Societies which outlived and out performed their rivals. They can be understood as examples to the terminating societies of their period. It was upon the success of this initial movement that permanent building societies were formed and eventually legislated by government. Christians today can therefore take inspiration from the decision of Christians to get involved in the institutional models that were emerging in their locality. Recognising that they were able to bring reform without necessarily reinventing a new institutional model, they used an existing model and collaborated together with those outside the church to provide examples of good financial management.

Credit Unions

Credit unions originated in nineteenth century Germany where Victor Aime Huber is credited with first promoting the concept. Huber, an ardent Lutheran, through his activities and writings sought to create a 'Christian communal life based upon economic reforms [...] carried on in a spirit of Christian love.'⁴⁷ In the 1840s he became the foremost promoter of the credit unions by raising

⁴⁷ Victor Aime Huber, cited in J. Carroll Moody, Gilbert Courtland Fite, *The credit union movement: origins and development 1850 to 1980*, (Madison, Wisconsin: Kendall/Hunt Publishing Company, 1984), p. 3.

awareness of the cooperative ideas and experiments going on in England and France.

After Huber, two other individuals in Germany are attributed with first establishing credit unions. The first credit union was established in 1849 by Frederick Wilhelm Raiffeisen, a devout Lutheran. Almost simultaneously, Herman Schulze-Delitzsch founded his first cooperative credit union in 1850. Both went on to establish many more unions across the country.

After experimenting with charitable enterprises to help farmers reduce the price of food, Raiffeisen soon realised such projects were financially unsustainable and turned his attention towards rural credit unions. His first union, Heldersdorfer Welfare Organisation, was founded in 1849 and his second, the Flammersfield Society, in 1854.⁴⁸ The Flammersfield Society in particular was intimately linked to the care and education of destitute children, hired 'shirkers' and former criminals.⁴⁹ It was at Flammersfield that Raiffeisen also established two founding principles of his credit union movement; first, that profit should not be distributed amongst investors until a sufficient reserve capital was established and second, that capital was inalienable, to be distributed to the poor should the union be dissolved.⁵⁰

Once these principles had been established, Raiffeisen's strategy was to organise a group of workers to form a union that would take unlimited liability for a loan. This collective loan would then be large enough to attract the attention of mainstream banks. The banks only maintained credit if repayments were punctual, which in turn required punctual payments from each individual member.⁵¹ This necessitated Raiffeisen to scrutinise lending closely, based upon the character of the union's members. Raiffeisen established a three monthly examination by a Committee of Supervision to review the use of each loan continually.⁵²

By focussing on rural societies, Raiffeisen held an absolute rule that the area of operation must never exceed that of a village. The unions specialised in long-term loans, two or three years being the average and ten years the maximum. It was through this long term relationship between lender and borrower that Raiffeisen

⁴⁸ *A Brief History of the Credit Union Movement*. (Association of British Credit Unions, 2002), p. 5
<<http://www.abc.ul.org/lib/liDownload/17/ABCULHistoryOfCrediUnions.pdf>> [accessed 18 March 2010]

⁴⁹ *A Brief History of the Credit Union Movement*. p. 5.

⁵⁰ *A Brief History of the Credit Union Movement*. p. 5.

⁵¹ Arnold Bonner, *British co-operation: the history, principles and organisation of the British co-operative movement*, (Manchester: Co-operative Union, 1961), p. 399.

⁵² Thomas Farrow, *Banks and people*, (London: Clapham and Hill, 1911), p. 96.

recognised the moral and social possibilities of thrift and the ability of the unions to increase community 'happiness and welfare'.⁵³ As banking historian Thomas Farrow describes:

*'Raiffeisen aimed directly, not at the mere material benefits of association, but at its moral and educative results; thrift was to be promoted not so much to make a man wealthy as to make him a better moral agent, a better member of society; he regarded mutual help, the bond of Christian charity, as the essential principle, and the necessary result of his system.'*⁵⁴

In comparison, Schulze-Delitzsch still required the productive use of the loan but looked more to the material and individual gain of both borrower and lender. Whereas Raiffeisen was primarily concerned with the potential of his unions to develop what we now call social capital, Schulze-Delitzsch's concerned his unions with individual economic self sufficiency alone. The operational differences this entailed were stark. Schulze-Delitzsch sought to establish his credit unions in urban centres, believing that the larger the catchment area the better the chance of a profitable business. Consequently, in the Schulze-Delitzsch unions it was far less possible to know, much less to influence, the members individually, to judge their character and financial status or to supervise the use of their loan. As a consequence, the societies only provided short-term loans, three months being the norm.⁵⁵

Raiffeisen's unions took longer to spread across Germany than the Schulze-Delitzsch model but their number soon started to outgrow his counterpart's. By 1912 Raiffeisen's network of credit unions expanded to 8,000 and the movement had become so influential that he became known as 'Father Raiffeisen'.⁵⁶ Both the Raiffeisen and Schulze-Delitzsch models influenced the credit unions that emerged in Europe, North America and eventually the UK.

Whilst the ambitions of credit unions were not dissimilar to those of building societies; individuals of the same social class banding together to access credit they would not have otherwise enjoyed, Christian involvement differed between the two movements. With the building society movement Christians became involved alongside others at a managerial level of certain societies providing an example to the societies of the period. The credit union on the other hand had a Christian branch of thought that had radically different practices to market alternatives, which point to the

⁵³ Farrow, p. 93.

⁵⁴ Farrow, p. 93.

⁵⁵ Farrow, pp. 95-96.

⁵⁶ Association of British Credit Unions, 2002, p. 6.

plurality of potential engagement for today's Christian institutional entrepreneur.

Savings Banks

The idea of a savings bank was suggested by writer Daniel Defoe in his *Essay on Projects* in 1697, but it was in Germany that the first records of thrift societies were established. Starting in Brunswick in 1765 and Hamburg in 1778,⁵⁷ the movement then spread to Loire, France in 1790 and Basle, Switzerland in 1792.⁵⁸ There is some contention, however, as to whether these were savings accounts or closer to deferred annuities since withdrawals were only allowed upon reaching a certain age.

In England savings banks were first mooted by Jeremy Bentham who advocated a chain of 'Frugality Banks' in 1797.⁵⁹ With the similar ambition of promoting thrift Priscilla Wakefield, who came from a rich Quaker family, wrote 'it is not sufficient to stimulate the poor to industry unless they can be persuaded to adopt habits of frugality. This is evidenced amongst many different kinds of artisan and labourers, who earn large wages, but do not in general possess any better resources in the day of calamity than those who do not gain half as much money.'⁶⁰ In 1798 she responded to these observations and founded a penny savings bank in Tottenham. Like Rev. Smith's savings bank (see below), interest was paid on charitable terms by honorary members. The bank was initially aimed at children but expanded in 1810 to include adults from when it is acknowledged as the first English savings bank.⁶¹

In 1799 another English savings bank was established by Rev. Joseph Smith, the Rector of Wendover. In his bank, savers could make small deposits in the summer which would then be returned in the winter with an interest of one third made up from charitable donations.⁶² The bank was therefore essentially a form of charity rather than a commercial enterprise.

With a slightly different approach, Rev. Muckersy opened West Calder Friendly Bank in 1807. Only opening once a quarter in

⁵⁷ Simon William Straus, *History of the thrift movement in America*, (Philadelphia: Lippincott, 1920, repr. New York: Cosimo, 2005), p. 24.

⁵⁸ Straus, p. 25.

⁵⁹ Straus, p. 25.

⁶⁰ Priscilla Wakefield, 'Extracts from an account of a charitable bank at Tottenham for the savings of the poor', in *The reports of the society for bettering the condition and increasing the comforts of the poor*, ed. by Thomas Bernard, (London: Bulmer, 1805), pp. 206-210 (p. 208).

⁶¹ Ann B. Shteir, 'Wakefield, Priscilla (1750–1832)', *Oxford Dictionary of National Biography*, ed. by H. C. G. Matthew and Brian Harrison. (Oxford: OUP, 2004) <<http://www.oxforddnb.com/view/article/28420>> [accessed 18 March 2010].

⁶² William Henry Kniffin, *The saving bank and its practical work*, (New York: Bankers, 1928), p. 5.

conjunction with the local friendly society, savers deposited money with two Edinburgh banks which paid 4% interest.⁶³ This was a rather limited exercise and it is only in 1810 that Rev. Henry Duncan founded Ruthwell Savings Bank, which is considered to be the first commercial savings bank for the working class. Profit was made by paying 4% interest to depositors whilst investing in Government bonds which returned interest at 5%. Founded on philanthropic grounds, care was taken to investigate the character and history of every depositor. And whilst this was not popular, the checks on age, family affairs and moral character in addition to withholding some interest from those who missed regular deposits, increased stability for the depositors.⁶⁴

Through Duncan's enthusiastic promotion his trustee model acted as a template for further savings banks that spread across Scotland and then England. As the movement expanded, Duncan successfully campaigned for the Savings Bank Act 1817 which authorised the formation of savings banks, whilst restricting management to deducting expenses and not a salary from deposits.⁶⁵

In summary, Christians were pivotal in pioneering the very first savings banks and campaigning to legislate for their wider adoption. Whilst Rev. Henry Duncan is widely credited with establishing the first savings bank in Ruthwell, it is also the case that many Christians went before him with their own experimental attempts. Collectively these institutional entrepreneurs recognised the need to form financial institutions in the pursuit of social transformation. This is best exemplified in Priscilla Wakefield's remarks that providing a practical means of encouraging thrift was essential in reforming the lifestyle of the poor.

Cooperatives

The UK cooperative movement was primarily influenced by the ideals and doctrines of Robert Owen, an industrialist of the early nineteenth century. In short, a cooperative is an enterprise or association that is owned and controlled by the people it serves. It shares profit on the basis of each members' cooperative contribution (as a producer, labourer, consumer or tenant) rather than their capacity to invest financial capital. The principle of cooperation has been applied to a plethora of industries and financial practices.

⁶³ Oliver H. Horne, *A history of savings banks*, (London: Oxford University Press, 1947), p. 40.

⁶⁴ Kniffen, p. 9.

⁶⁵ John J. Clarke and James E. Pratt, *Outlines of Industrial and Social Economics*, (London: Isaac Pitman, 1919), p. 94.

Although Owen denounced religion as divisive and an obstacle to peace, charity, love and the happiness of the human race,⁶⁶ there are a number of Christians that influenced the movement, including those who formed the Christian Socialists. The first of these Christians was Dr William King who, inspired by Owen, formed the Brighton Co-operative Benevolent Association and the Co-operative Trading Association in 1827.⁶⁷

In addition to these cooperatives Dr King founded the influential magazine, *The Co-operator*, which was published monthly between 1828 and 1830. Although the magazine had a short life it was widely circulated, included a number of overtly Christian articles and had a definite influence on the early movement.⁶⁸ In seeking to establish cooperative communities derived from the Brighton cooperative, Dr King, writing in *The Co-operator*, described his belief in the redemptive powers of cooperatives:

*'[Loving] your neighbour as yourself [...] No man but a real Christian is fit for such a Community. In common life it is impossible to act upon this principle. We must love ourselves first – our neighbour second. But in a Community our own interest is better secured in that of the Community than we could possibly secure ourselves; therefore, interest and duty would go hand in hand.'*⁶⁹

Dr King clearly had religious differences with Owen. These differences were also exposed in attitudes towards the family; whereas Owen disapproved of the family, Dr King perceived it as a community from which 'affection ought to extend itself [into] public life.'⁷⁰

By the end of the publication of *The Co-operator* in 1830, Dr King documented 300 cooperative societies in existence across England. Now gathering momentum, the movement sought national representation and the Cooperative Congress was formed. It first met in 1831 and was chaired by Owen for six of the eight meetings it held. It is within this Congress that the religious views of Owen were further questioned. Some opposed Owen on scriptural subjects, others said people were dissuaded from joining the movement because of Owen's anti-religious views and objections were made against Owen's view that personal character is shaped only by nature and society, denying any personal moral

⁶⁶ Bonner, p. 19.

⁶⁷ Bonner, p. 23.

⁶⁸ Purvis, Martin. 'King, William (1786–1865)', *Oxford Dictionary of National Biography*. ed. by H. C. G. Matthew and Brian Harrison. (Oxford: OUP, 2004) <<http://www.oxforddnb.com/view/article/15608>> [accessed 18 March 2010].

⁶⁹ *The Co-operator*, No. 1, cited in Bonner, p. 25.

⁷⁰ *The Co-operator*, No. 7, cited in Bonner, p. 25.

responsibility.⁷¹ After only four years the Congress ended in 1835 amidst religious factions, poor management, the spending of reserves and the distractions of the Chartist movement.

It was not until 1844 that the first self-sustaining cooperative was founded. The Rochdale Society is widely considered the first successful cooperative in the UK and was founded mostly by Owenites, although formed along some of the principles outlined by Dr King.⁷² The Society was a retail cooperative which provided consumers with dividends proportionate to purchases they made. It had the long term intention of raising funds to form a self-sustaining community through the lease or purchase of land, the construction of houses and the purchase of manufacturing equipment. The Society diversified into a number of different ventures and provided a relatively successful model for other cooperatives to follow. Many that had failed prior to 1844 restarted and successfully adopted its methods.

During the same period other Christians, mostly from Liberal and Anglo-Catholic traditions, were starting to protest against classical political economy. Some of these formed the Christian Socialists,⁷³ who were active between 1848 and 1854. The founders included the notable barrister John Malcolm Ludlow, Professor of Theology Rev. Maurice, Edward Vansittart Neale, Thomas Hughes and Rev. Kingsley. Their primary belief was that rather than believing in a spiritual life after death, heaven could be created on earth.⁷⁴ Therefore, much of their activity was spent on funding and promoting cooperatives, which they believed had redemptive properties; in fact much of Vansittart Neale's considerable fortune was spent on them. Vansittart Neale is also credited with the unification of cooperatives through establishing the Cooperative Wholesale Society, the Insurance Society, the Cooperative News and the Cooperative Union, which all acted to integrate and coordinate the movement. It is through these efforts that Philip Backstop, whilst recognising Owen as the Father of cooperative ideology, identifies Vansittart Neale as the Father of the cooperative movement.⁷⁵ In 1852, Vansittart Neale controversially established an educational organisation, the Cooperative League. Perhaps reflecting his especially liberal theology, it was viewed by other

⁷¹ Bonner, p. 29.

⁷² Bonner, p. 45.

⁷³ So-called in order to encourage Christians towards Socialism and to remind Socialist's of Christianity, Bonner, p. 61.

⁷⁴ Fred Hall, and William Pascoe Watkins, *Co-operation: a survey of the history, principles, and organisation of the co-operative movement in Great Britain and Ireland*, (Manchester: The Co-operative Union, 1937), p. 91 and Phillip N. Backstrom. *Christian socialism and co-operation in Victorian England: Edward Vansittart Neale and the Co-operative Movement*, (London: Taylor & Francis, 1974), p. 19.

⁷⁵ Backstrom, p. 5.

Christian Socialists as distinctly non-Christian and the League soon failed through lack of support.⁷⁶

In summary, the cooperative movement was largely inspired and led by non-Christians, or by Liberal and Anglo-Catholic Christians. It was based on the philosophy of limited personal responsibility, and the redemptive powers of cooperation, rather than on the Evangelical belief in the capacity for individual moral improvement through relational investment, that inspired the formation of other financial institutions of the period. Nevertheless, Christians, in particular Dr King, had influence and played a key role in tempering Owen's anti-religious sentiments. The Liberal and Anglo-Catholic Christian Socialist Movement was also influential, but their primary motivation of achieving 'heaven on earth', resulting from a rejection of a spiritual heaven, perhaps explains the absence of prominent Evangelical Christians in the movement.

In addition, Christians in the cooperative movement sometimes made the mistake of attempting to marry eschatology with economic philosophy which led to divisions and, in the case of the Christian Socialists, the failure of the movement. More widely, the cooperative movement which had a near religious following is perhaps an example of where some Christians placed the value of social transformation over and above what Wilberforce termed the 'peculiar doctrines' of the gospel. In some instances, the gospel of Christ was perhaps overshadowed by the philosophy of Cooperation. For example, within a Cooperative Congress meeting John Finch, a Christian within the movement, proclaimed that 'the principles of Cooperation are more in accord with the principles of the Gospel than any other sect.' Reducing the gospel to comparable principles in this manner arguably undermines its glory and power in a way that Wilberforce would have almost certainly found unacceptable.

Conclusion

With discussion of introducing international regulations in order to combat global economic problems, today's aspiring institutional entrepreneurs can be forgiven for feeling overwhelmed or impotent to bring about tangible economic change themselves. Yet, these studies provide precedents of Christians successfully engaging in the financial matters of their day and, like Raiffeisen's rural credit unions, these often originated in the most obscure and arid of financial landscapes. For the aspiring Christian institutional entrepreneur, this overview contains four areas of inspiration that have relevance today.

⁷⁶ Backstrom, p. 39-40.

First, most of these institutional entrepreneurs started as local and not national leaders, and yet their legacy, with or without the aid of their government, was often felt internationally. Today's Christian institutional entrepreneurs should not necessarily be distracted or overwhelmed by wider economic issues since even a sub-local focus in their initial work can potentially have a wider national and even international impact.

Second, the financial institutions discussed in this paper pre-empted government intervention; the founders did not wait for national or local government action. Indeed their actions often inspired and prompted government legislation by providing local templates which could be endorsed and adapted on a wider scale. This is demonstrated well by the Christians who established the first British savings banks.

Third, when appropriate, Christians engaged with institutions that grew from outside the church and did not always consider it necessary to reinvent emerging financial institutions that had capacity to build social capital. The best examples of such collaborative leadership were the Christian trustees of the emerging terminating building societies.

Fourth, the institutional entrepreneurs recognised God's mandate for the church to engage with economic issues.⁷⁷ For instance, Christian engagement with friendly societies testifies to the socially transforming power of relational financial institutions. They practically demonstrated that economic issues are inherently social issues and that the church can be as enthusiastic about financial action as it is about social action. Financial engagement with local communities can be integral to the social action and evangelism of the local church today.

In the nineteenth century, the church often enjoyed government favour⁷⁸ which included endorsement and active support of the financial institutions Christians were promoting. Although this degree of favour is not always enjoyed today, the church can still take inspiration from the impact it had in changing the financial habits of a nation. In addition, there are examples today of Christian financial innovation that demonstrate what can be achieved without government support. Christians Against Poverty, for example, has a network of over 100 debt counselling centres in the UK, providing free expert financial advice to some of the most financially and relationally destitute families in the country.

⁷⁷ For a fuller discussion see *Jubilee Manifesto*, ed. by Michael Schluter and John Ashcroft (Leicester: Inter Varsity Press, 2005)

⁷⁸ One such example is the Church Building Act 1818 which dedicated £1.5million to building new churches.

Elsewhere, Citylife, a sister organisation of the Jubilee Centre, issues charitable bonds as an alternative to conventional charitable giving. The bonds immediately release 20 per cent of their value to charity and return the full investment back again in five years time through commercial investment of the remaining sum⁷⁹. At a sub-local scale, Christians in Leeds have founded a toy club that provides toys to families at Christmas time. Small and regular payments are encouraged in advance which are proving an attractive alternative to violent doorstep lenders charging exorbitant interest rates.

Financial institutions and organisations are excellent vehicles for tackling financial and relational poverty within our fractured society. Indeed, one of the most significant achievements of the early financial institutions was new forums for the poor and wealthy to relate; there is perhaps no greater example of this than the More sisters' tea parties. As divisions in wealth continue to grow, Christians today have an opportunity to act creatively once again and develop a new generation of relationally orientated financial institutions.

⁷⁹ See www.citylifeltd.org