

ORIGINAL

BUREAU OF MILITARY HISTORY 1913-21

BURO STAIRÉ MILEATA 1913-21

NO. W.S. 616

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BUREAU OF MILITARY HISTORY, 1913-21.

STATEMENT BY WITNESS

DOCUMENT NO. W.S. 616

Witness

Edward M. Stephens,
2 Harcourt Terrace,
Dublin.

Identity.

Organiser of the National Land Bank, Autumn 1919.

Subject.

Establishment of the National Land Bank,
Autumn 1919.

Conditions, if any, Stipulated by Witness.

Nil

File No. S. 522

Form B.S.M. 2

C O N T E N T S.

1. Formation of National Land Bank by Edward M. Stephens, B.L.

 2. Appendices:
 - "A" Copy of report of Lionel Smith-Gordon, on co-operative societies in Switzerland and Italy, taken from one of the copies provided for the Directors.

 - "B" Copy of circular setting out the objects and scope of the National Land Bank undertakings.

 - "C" Copy of circular containing conditions for the making of advances for land purchase.

 - "D" Copy of report to Directors on co-operative farming at Kilcumney, Co. Carlow, by James McNeill.

 - "E" Copies of Agenda for Directors' Meetings.
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ORIGINAL

BUREAU OF MILITARY HISTORY 1913-21
BURO STAIRS MILEATA 1913-21

No. W.S. 616

STATEMENT OF EDWARD M. STEPHENS, B.L.,

2 Harcourt Terrace, Dublin.

Re: National Land Bank.

In the autumn of 1919, I was approached by Lionel Smith-Gordon, who had been librarian in Plunkett House, to ask me whether I would join in organising a co-operative bank, intended for carrying on land purchase, and whether I would allow my house to be a meeting place for those engaged in the organisation. My address at that time was 38 Upper Leeson St. I agreed, and a number of meetings were held in the study downstairs, which opened on the garden at the back. It is difficult to be quite accurate from memory as to the persons who attended the meetings. My wife kept some note of these in her diary, but it was subsequently taken in a raid on our house after we had moved to No. 2 Harcourt Terrace. I can remember attendances by Robert Barton, Erskine Childers, James MacNeill, Batt O'Connor, Laurence Casey and Sir Henry Grattan Bellew. Laurence Casey dropped out at such an early stage that he was not concerned in the organisation. Barton was, I suppose, 'on the run' and did not attend often.

The rules of a co-operative society, as issued by the Irish Agricultural Organisation Society, were adapted by Lionel Smith-Gordon to suit the requirements of the intended bank. They were signed by some or all of the persons who met to arrange its foundation. Batt O'Connor said to me that he was more concerned with bricks and mortar than with banks, and wanted to be released from the organisation as soon as it was found convenient. He did not continue joining in our work after the society was registered. The rules must have been presented to the Registrar before Christmas 1919. The file may still exist in the archives of the Registrar of

*Friendly
President
E. A. S*

~~and Industrial~~^{L.A.S} Societies, but some files there were, I was informed, pulped during the paper shortage.

I had been practising at the bar for seven years when I joined the group that organised the bank. I attended all the meetings held in my house, signed the rules and became a director.

On the 12th December 1919, Lionel Smith-Gordon left Ireland to study co-operative banking societies in Switzerland and Italy, so that he might be in a position to advise the committee of the new bank. On his return, he made a report, a copy of which is now included in the appendix 'A' to this statement. It was presented to the committee on the 15th January 1920.

The society was registered in January 1920. Notice of the allotment of a £1 share to me was dated 17.1.1920.

The capital of the bank at the time of its formation consisted of the very small amounts subscribed by signatories and of money provided by Dáil Éireann. I was told that the shares allotted in respect of the money provided by Dáil Éireann were allotted to a co-operative society organised for the purpose of holding them with its registered office at the private address of Professor Clery, who lectured in the Law of Property and Contracts at University College, Dublin, but I had no connection with this society.

Once registered, the National Land Bank Ltd., was a legal corporation and its activities were entirely lawful.

Prior to its registration, we had taken a house, 68, Lower Leeson Street, where it was intended to open a banking business as soon as possible. The meeting to arrange for doing this was held on the 15th January 1920. (See appendix 'E').

Once the bank was established at 68, Lower Leeson Street, and ready to commence business, it became necessary to issue a circular to the public, outlining the scope of its work and its aims. (For this circular see appendix 'B'). Drafts were considered at the meeting of the committee held on the 4th February 1920.

The first object of the bank was to create a system for carrying on land purchase, because the system then in force under the Land Purchase Acts had been almost paralysed by the issue of war stock at a higher rate of interest than land stock, which made the sale of land unattractive to landlords. The leaders of the Sinn Fein party regarded the continuation of land purchase as of great political importance because there was a danger that a renewal of the land war would interrupt the national movement. The plan on which the Bank was intended to work was this: Where landless men wished to acquire and divide an estate which a landlord was willing to sell, the landless men were to be grouped by an organiser from our bank into a land purchasing society which was to become one of our shareholders. The Bank was then to advance to the society, when registered, money for the purchase. The society, on becoming the owner of the land, was to sub-divide it among its members, each of whom was to undertake the payment for his holding on an instalment system, his payments being secured by a mortgage of his holding. Each land purchasing society had to consist of at least seven members and a secretary. My recollection is that the first transaction under this system was the purchase of the Lewen estate in Co. Meath for £10,000.

If the Castle authorities were aware that these transactions were being carried out with Dáil money, they decided that it was being employed in a manner advantageous to the landlords, and decided not to interfere with the activities of the bank.

At the commencement of the land purchase scheme, it was thought that it might be conducted in two ways; first, the one actually employed, enabling landless men to become proprietors; secondly, one which was rejected after an unsuccessful experiment, the purchase of land by a cooperative society to carry on farming without sub-division. The experiment of organising a land holding society was carried out at Kilcumney farm, Co. Carlow, where it was intended that eight persons should work Kilcumney in cooperation. A manager was appointed by the bank to start the enterprise, but it was unsuccessful and had to be abandoned. (See appendix 'D').

A problem arose as to the retention of Dáil monies intended for land purchase pending the acquisition of estates. The fear existed that the monies might be identified by the British authorities as belonging to Dáil Éireann and confiscated. It was, accordingly, decided to place such monies until required for land purchase on deposit with co-operative societies in England. The Irish Agricultural Wholesale Society in Thomas Street acted as agent for the banking departments of these societies and, through it, the money was placed on deposit with co-operative societies in different parts of England.

I was told that the money provided for the bank by decree of the Dáil, a sum which I believe amounted to £200,000, was derived from the Dáil Loan raised in America. I heard that the proceeds of the Loan were in the hands of Trustees and that the sum of £200,000 was paid over to the bank at the direction of the Dáil.

At the time the bank was founded, I understood from Lionel Smith-Gordon that he received his instructions from Robert Barton, as Minister for Agriculture, and Ernest Blythe, as Minister for Finance.

Owing to the difficulties of the times, when an organisation such as the National Land Bank was started under the authority of the Dáil, its management was necessarily left very much in the hands of the people directly responsible without frequent reference to the Dáil itself.

The founders of the bank hoped, in addition to their land purchase work, to carry on ordinary banking in a way that would give wider opportunities to Irish industry than those afforded by the ordinary banks. It was thought also that the development of Irish fisheries could have been supported by bank money. These ambitions were not realised. There was a general tendency for people, whose undertakings were not substantial, to seek from the bank, on patriotic grounds, loans which they could not secure to the satisfaction of the other banks. Such loans, of course, had to be refused because the bank was taking deposits from the public and was bound to see that its overdrafts and loans were well secured. I believe that the bank was driven to using its money in London on exactly the same lines as any of the pre-existing banks.

An attempt was made to establish branches for ordinary banking business, but this was not successful.

Once the bank was established at 68 Lower Leeson Street, business was conducted in a routine way. I was a member of the board, which met once a week to consider an agenda prepared by the manager, Lionel Smith-Gordon, and to make routine checks of cash. I am not in a position to make any statement about day to day business in the bank, about the amount of deposits or drafts, or as to who the customers were.

Michael Collins, so far as I know, never came to the bank, but I heard that he had an office in Harcourt Terrace and that occasionally he met the manager, who lived at No. 5 Harcourt Terrace, at his own house, but these meetings were very secret.

The bank was raided by the military. I saw an armoured car standing outside, but I do not remember the exact date. I heard from the manager afterwards that he had played cards with the officer while the accountants were going through the books and they they had closed only one small account. They did not appear to have discovered the source of the bank's funds.

Soon after the bank commenced business I resigned my position as one of the directors to become legal adviser.

The story of the formation of the National Land Bank has been shortly told in "The Bank of Ireland 1783-1946" by ^FG. Hall, edited by George O'Brien, Dublin : Hodges, Figgis & Co. Ltd. Oxford : B.H. Blackwell Ltd. 1949.

MCMXLIX.

Signed: Edward M. Stephens
(Edward M. Stephens).

Date: 23rd November 1951.
23rd November, 1951.

Witness: William Ivory Comdt.
(William Ivory, Comd't.)

BUREAU OF MILITARY HISTORY 1913-21
BURO STAIRE MILEATA 1913-21
No. W.S. 616

APPENDIX A.

Copy of Report of Lionel Smith-Gordon
on co-operative societies in Switzerland
and Italy taken from one of the copies
provided for the Directors.

To the Directors,
National Land Bank Ltd.

Gentlemen:

Acting on instructions received from Mr. Barton I left Ireland on December 12th and after seeing Messrs Spring-Rice and Childers in London proceeded to Switzerland. In Berne I had several interviews with Mr. Cahill and went with him on a short trip which included interviews with the officials of the Federation of Agricultural co-operative Societies in Berne and the neighbouring cantons, the Union of Consumers' Societies in Basle and the Swiss Peasants' Secretariat in Brougg. I left Berne on Christmas Day and travelled to Rome. Unfortunately I found that my time in Italy, which was already short, would be considerably interfered with by the very large number of public holidays which were celebrated this year. I was unable to find anyone at the International Institute or any of the other offices before Monday December 29th and even after this there were two or three other holidays. In these circumstances I had to make up my mind as to the best use of the time, and as I found at the Institute both an Irishman and an Italian who were experts in the particular subject and who volunteered to take me to see the leading officials of the various Federations in Rome, I decided that it would be better to stay there than to attempt to travel about the country. I was confirmed in this opinion by the fact that the Railway and Postal services were greatly disorganised and the weather in Northern Italy was abnormally bad. I was assured that even if I went to country districts I should not have any opportunity of seeing the workings of a local society as work on the land was entirely suspended. I had, however, intended to devote the last three days of my stay in Italy to a visit to Bologna and Milan, and this plan was interfered with by my receiving a wire informing me that Sir Horace Plunkett had died. I thought it necessary on receipt of this news, owing to my

intimate connection with certain parts of Sir Horace's business affairs, to return at once, and unfortunately reached Switzerland before the rumour was contradicted. Having no further business in Switzerland I then travelled straight back to Dublin, arriving on the morning instead of the 15th as I had intended. I may say that of the three days thus lost, one turned out to be a public holiday and the other two were taken up by a hurricane which incidentally blocked the line to Switzerland, so that my premature return was rather fortunate than unfortunate.

I thought it best to concentrate as far as possible on the question of financial machinery for extending credit to co-operative farming and labour societies. I found that in Switzerland there is no land purchase problem, practically all the small farmers own their land, and ample facilities are provided to mortgage banks for obtaining credit based on the security of land. These banks are of a cantonal nature and work as public corporations under a charter issued by the cantons in which they are located. Their profits are divided among the shareholders and the funds are mainly obtained by the issue of bonds secured on the general assets of the bank. Nothing in the constitution or working of these banks appears to call for special comment. They are accepted as a part of the normal financial machinery of the country, but they have no connection with the co-operative movement, as such. In an interview with Dr. Laur, Secretary of the Swiss Peasants' Union who is universally accepted as the leading authority in Switzerland on agricultural economies, I ascertained definitely that there was no case in Switzerland of collective purchase or use of land, and that co-operative credit, as such, had reached only a very unimportant point of development. The savings of the rural population are almost entirely deposited with the canton in savings banks which have branches throughout the country, and take the place of the Post Office Savings Bank

and Joint Stock Banks in Ireland. These Savings Banks are not controlled by the Government but are like those in Denmark in public non-profit making corporations with State charter.

The system of issuing bonds is absolutely universal throughout Switzerland. Capital is obtained in this way by banks, public bodies and co-operative Consumers' Societies, and the bond issues largely take the place of shares. The bonds, of which I have brought back a typical specimen, are of the simplest possible nature. They are as a rule for small amounts which may be varied according to the wishes of the purchaser. They run for short periods of from one to five years, and are payable at par. In many cases there are premium drawings attached to the issue, but this is not universal, and it does not seem to me to be a desirable feature for imitation in Ireland. Interest is paid at rates varying from 4 to 6 per cent and the security offered is merely that of a floating charge on the total assets of the issuing institution. The population is so thoroughly accustomed to these bonds that no explanation of them is required, and they are accepted by everybody as an ordinary means of investing money, and, in the case of premium drawings, of indulging in mild speculation. Bonds can be made out either to Bearer or to a given person at will, and alternative blanks are provided on the specimen form. A considerable increase in taxation has taken place lately, but owing to the simultaneous increase in the standard of prosperity it does not seem to have interfered with the circulation of the bonds. There is no central institution in Switzerland which deals specifically with the problem of credit to the rural population or to co-operative societies, as such.

It will be seen therefore that the interest of Switzerland for our purposes is confined to the example which it provides of the use for small bond issues as a means of providing working capital for co-operative societies and public bodies.

The whole secret of success appears to lie in establishing among the population an absolute familiarity with, and confidence in, this form of security, and this in its turn depends largely on extra simplicity and on sound management of businesses affected.

Apart from the special objects of the enquiry I was struck by the following points in Switzerland, all of which I would suggest are worthy of investigation by those bodies in Ireland which have a special interest in them.

1. The organisation of the Swiss Peasants' Union appears to provide a most excellent model for Farmers' Unions of this country. I discussed the working of it with the Secretary and have brought back and studied its reports, from which I am convinced that it is one of the most efficient and practical Farmers' organisations in existence.
2. Consumers' co-operative societies in Switzerland have reached a very high point of efficiency, and that country would be in my opinion one of the most suitable in Europe in which to study the very urgent problem of the relations between agricultural and urban co-operators.
3. Any observant traveller in Switzerland cannot fail to be struck by the extraordinarily favourable conditions under which factory work is carried out in that country. A great majority of factories are situated in country villages and are extraordinarily well favoured as regards light, air, surroundings and general conditions of living. Workers are very well paid and apparently satisfied, and an extraordinarily good democratic spirit prevails. I could not help feeling as I passed through numbers of these small industrial towns in the train that they offered a good example of what might be done in Ireland to solve the problem of introducing industrial development,

without setting up a lot of centres of smoke and dirt such as disfigure such districts as the North of England, I would suggest that in the event of any steps being taken to enable representatives of Irish labour to study industrial conditions abroad, Switzerland should be the first country selected for the purpose.

I submitted to Mr. Cahill an outline of the scheme of operations proposed by the National Land Bank. He appeared to be of opinion that it was entirely sound, and had no destructive criticism to offer. The points on which he was most emphatic were the following:

1. Bonds should be issued for small sums in series and should be made as simple and as easily comprehensible as possible. He was of opinion, that in view of the Income tax laws, Bonds to Bearer would not be feasible, but he believed that a simple system could be devised by which transfers could be made in a small book provided for the purpose and issued with the bonds, without the necessity of a personal visit to the office of the Bank. I have since discussed this matter with Mr. Spring-Rice who tells me that this system is adopted in America, but he is of opinion that it will not get us out of the necessity of collecting Income Tax. I suggest that on this point it is most essential that we should have an immediate consultation with Mr. MacDonagh.
2. Mr. Cahill pointed out that the real difficulty in all land settlement schemes is that of the provision of working capital during the first few years. Unless the persons settled on the land can be provided with sufficient capital to stock and equip their land properly and work it to the fullest advantage, the value of the land will be diminished and the instalments endangered. For this reason he considers it essential that a Department of the

National Land Bank should devote attention and money from the very beginning to the provision of working capital for the local societies.

3. Mr. Cahill was very strongly convinced of the vital importance, both from a business and social point of view, of creating in the National Land Bank a centre for the collection of the savings of the rural population. He pointed out that a vital element in the success of all co-operative machinery was the preservation of the principle that the savings of the people should be used for the development of their own industries. He emphasised the success of the Swiss Savings Banks, but deplored the fact that they were not an integral part of the co-operative movement, and he strongly urged that the Directors of the Land Bank should insist on the establishment of the local Savings Banks as a social and financial centre for each of the colonies created by them, and should also use every possible effort to become the depositing centre of the rural population of Ireland. The money received in this way should be partly used for the provision of the working capital referred to above, and partly for the financing of the trading bodies of the co-operative movement.

Mr. Cahill was very busily engaged in other work and had not given attention to these subjects for some time. He remains, however, in my opinion one of the leading authorities in Europe on the subject and for this reason, and also as an Irishman, he was very much interested. It was most satisfactory to me to find that his views were almost exactly in line with those already held by the Founders of the National Land Bank, and that he appeared to have no doubt of the practical nature and desirability of the project.

ITALY.

In crossing into Italy we come at once into an entirely different system both in co-operation and in land tenure. Italian co-operation is of the type also found in France and Belgium and usually known as the Latin type. A very large number of leagues and voluntary associations exist and the basis of agricultural purchase and supply is the "Consortio" which is similar in its nature to the French syndicates and is more properly to be described as a professional union than a commercial co-operative society. As in France and in Belgium we find that federation has for the most part been worked out on a local and sectional basis. There is no one federation which can be called a centre of the Italian co-operative movement, either on the agricultural or industrial side. Partly as a result of this fact and partly owing to war conditions which have affected Italy very seriously there are no definite up-to-date statistics, and at the present moment it is not possible even to state the exact number of co-operative farming societies in existence, but it is probable that the number is between four and five hundred with a total acreage of about 125,000 acres and a membership of nearly 200,000. At the present moment the biggest of the Italian federations i.e. the Liga Nazionale, to which further reference will be made, is collecting statistics and making a report of which I hope shortly to receive a copy.

A further point in which the Italian co-operative movement resembles that of Belgium is in the division which exists between socialist and Catholic societies. This division is largely responsible for the lack of central unity in the movement, and is from many points of view a very serious weakness. Every enlightened authority is emphatic in deploring it, and any enquirer into the movement must be struck by the urgent necessity of preventing the appearance of any political religious or sectional differences within the Irish movement.

The co-operative farming societies are mainly to be found in two very distinct districts in Italy i.e. in Sicily and the South on one hand, and in Lombardy, Romagna and Emilia on the other. Two quite different causes have been responsible for the establishment of these societies in different districts.

In Sicily and Lombardy they owe their origin to the desire of the small farmers to do away with the middleman speculator, and either sub-letting it to small farmers or working it himself with gangs of hired labour. The middleman served no useful purpose and created a margin between the rent received by the landowner and the wages earned by the workers. The function of the society was to take his place and deal direct with the landowner. Where this has been successfully done the landowner has received at least as much, and sometimes more, rent and the workers have been better paid.

In Emilia and Romagna on the other hand the purpose of the societies has been to diminish agricultural unemployment and to check the emigration resulting therefrom. In this connection it should be noted that a large number of the co-operative farming societies in these districts began originally as co-operative labour societies, which are another of the distinctive features of Italian organisation. Twenty-five years ago the State and the local authorities were carrying out in the North of Italy very large works of public improvement such as drainage of land, improvement of river basins, making of roads and light railways &c. These works were at first entrusted to private contractors who hired their own labour, but they were seriously impeded by the series of violent strikes which broke out over questions of wages and hours. As a result of these strikes some of the labourers organised what were called 'Lige de Resistenza' which roughly correspond to our Trade Unions, their object being to increase wages, shorten hours and bring about an equal distribution of work among their members. Some of these leagues gradually conceived the idea of organising

their members into Co-operative Labour Societies which would undertake contracts direct from the State. This development was favoured by the State, and after one or two experiments special facilities were given to the Co-operative Labour Societies. After a time, however, the amount of public work available diminished and the workers, most of whom were essentially agricultural labourers found themselves driven back to the land. In these circumstances, they conceived the idea of renting land collectively and using it as a means of providing employment for their members who were out of work.

We thus have two distinct types of collective farm, the one composed of persons primarily interested in farming, as such, the other of labourers interested in providing work. Roughly corresponding to these divisions is the distinction between farms with common managers and those with divided management. It may also be said that the former represent the socialist ideal, the latter the Catholic. The socialist leaders are anxious that all their societies should be managed on the collective basis; their followers, however, in many cases have not been prepared to undertake this experiment, and where it seemed as if the discipline of the members would not be adequate, the leaders have very wisely consented to division of land among individuals. They have however as a rule retained a certain portion of the land in the hands of the Society to be worked in common either for pasturage or as an experimental plot, in the hopes that the success of this portion would gradually persuade the members to adopt common cultivation for the whole estate. In the Catholic societies no attempt has been made at common cultivation, but each individual has been assigned a plot large enough to take up the greater part of the working time of himself and his family.

There are thus many more collective farms in which the management is divided than there are of those in which it is

collective, and in the early days of the movement considerably greater success was achieved in the former class. At present however all the authorities I have met are agreed in saying that the best possible results in respect of cultivation, profits, &c. were being achieved by the societies of the purely collective type. This they ascribed to the opportunities offered for the use of machinery, for uniform cultivation and for collective purchase and sale on a large scale.

The systems of land tenure in Italy are infinitely complicated, and as a result the various agreements under which land is held by the Societies vary very much both in spirit and in form. It would be out of place to enter into these difference in detail in this report; it is worth while, however, to point out that the idea of actual ownership of land in small parcels is practically non-existent in Italy; the ambition of the Italian agriculturist is to rise from the status of a labourer or tenant on the contract basis to that of a tenant with fixity of tenure, rather than as in Ireland the advance from the status of tenancy to that of ownership. Furthermore, the existence in Italy of old established communal rights of cultivation and of the metayer system ~~of metayer system~~ of tenancy have accustomed all the population to the idea of profit-sharing contracts in the use of land.

There is therefore practically no attempt on the part of these societies to purchase land as we propose doing in Ireland, and it does not appear likely, that had they wished to do so, the credit would have been forthcoming in the past. I found, however, that since the farms had been making unusual profits during the war some of the money was being employed in actually purchasing farm land, and it is probable that if prosperity continues the movement will spread. In such cases the land purchased remains the property of the Society and is only rented to individual members, or worked by them on a wage basis; there is no question of sub-divided sale. In this connection it

occurred to me that if public sentiment would permit it the local societies organised by the Land Bank might well rent the holdings to the individual members up to the time when the mortgage on the whole estate was paid off.

I have collected the rules and data regarding several of these societies of both types, and propose to write a description of them, but I do not think it is desirable at the moment to burden this report with these details. It is more important for us to consider the particular problems of which the federation, as such, will have to deal with.

The three chief difficulties which had to be met with in these societies were:- (1) The provision of land, (2) the provision of credit and (3) technical management. As regards the first there was a difficulty in persuading landowners that the societies would be satisfactory and solvent tenants. Considerable pressure was brought to bear on any landowner who showed a tendency to accept the societies. It may be noted that the Catholic societies and those who divided management were regarded with more favour than the others, which were looked upon as dangerous socialistic experiments. The difficulty was considerably relieved by the attitude of the Government which gave special facilities for the acquisition of land belonging to State and public bodies and religious corporations by these societies, and after it had been shown that the system worked well and would produce higher rents for landowners the land difficulty largely disappeared. Even now however the length of leases usually obtained by the societies is quite inadequate, and as there is no compensation for improvements and the landlord is free to raise the rent at the expiration of the lease there is still a very great risk in undertaking any extensive development. This aspect of the case however is not of very great importance for us in Ireland.

2. The provision of credit is really the crux of the whole movement. In the early days no central body of any kind existed for this purpose and the societies were reduced to all kinds of devices to provide themselves with money. The Catholic societies, particularly in Sicily, were usually organised in connection with an existing co-operative credit society, and were helped to some extent in this way. In the North the societies obtained credit as a rule in one of the four following ways:-

1. From existing credit societies, particularly the Luzzatti People's Banks.
2. From private persons who were well disposed towards the movement in many cases the actual owners of the land.
3. From the purchasers of the produce of the farms, in many cases Co-operative Consumers' Societies, and
4. From the members themselves.

It is hard to understand how the members could possibly be in a position to help the Society in this way as the amount of share capital and entrance fees paid was very small owing to the poorness of the people concerned. It appears however that so great was their enthusiasm for the progress of their societies that in many cases they allowed their wages to fall many months in arrears and supported themselves in the meantime by pawning their household effects, by getting goods on credit and by borrowing money or earning wages in their spare time outside the society.

In spite of all these efforts the societies which had to obtain money week by week and could only hope to repay it at the time of the harvest found it exceedingly hard to obtain credit at less than 7 or 8 per cent. The Socialist societies were supported however in some cases by the Trade Unions, and the Labour Societies which were in a more flourishing condition. The security given for the credit was in the form of promissory notes together with a lien on the harvest. These promissory notes as a rule had to be re-discounted in the central institutions, and the charges on them were very high.

Various attempts were made to ease the situation. In 1903 a co-operative bank was founded at Reggio Emilia which loaned considerable sums to the collective farms within a restricted district. Later a credit society for the purpose was established in Milan with large support from the Societa Humanitaria. The effect of these however was only local, and in 1905 at a congress in Reggio a demand was made for State credit at 4 per cent repayable in easy instalments. As a result of this the co-operative representatives in the Italian Parliament brought in a proposal for a central co-operative Bank with State assistance; this however fell through. Finally in 1913 as the result of the efforts of Luzzatti and others a new institution was founded known as the National Institute for Credit for Co-operative Societies. The capital of this Institution was provided almost entirely by Savings Banks which are public institutions of a nature similar to those existing in Switzerland. Among the shareholders are also a few of the larger People's Banks and the two central Insurance Societies dealing with Health and Life Insurance for workers. The chief activity of this body was devoted to financing the co-operative Societies carrying out public work. Loans were made to these societies against the certificates of work done by them for the State, In this way the societies obtain working capital, although the Government does not pay for the work until some time after it is all finished. In addition to this business the Institute also grants credit to Co-operative Consumers' Societies and to co-operative farms. For these purposes it is very closely associated with the National League which is a federation of all the Socialist and neutral societies of the three classes mentioned. The two Insurance societies are also linked up in this sort of Union of federations, and the credit society pays to them the insurance premiums for all the members of the Labour societies which are engaged in fulfilling contracts.

The importance of the Farming Societies has become so well recognised during these last few years that it is now intended to create a special section of the National Institute for the purpose of granting credit to them. In 1918, 14 million lire were lent to 318 of these societies with a membership of 125,000, cultivating 94,000 acres of land. The money is lent, in almost every case, against promissory notes and secured by a lien on the harvest, and on the general assets of the societies. Interest is at the rate of about 5%.

The Institute is in close relations with the State and has received considerable sums for the purpose of making loans to various types of societies. Thus 3 million lire was granted on current account at 5% for financing of labour societies, and in 1919, 8 million was allowed for agricultural credit. This money, however, has to be paid back each year, and the Directors of the Institute point out in their report that it does not enable them to provide credit for the purchase of implements, stock and improvements, which can only be paid off during the course of not less than five or six years. Apparently however considerable advance has just been made, and the Italian Government proposes to supply the Institute with the following funds: 50 million lire at 2% for Consumers' Societies; 20 million lire at 3% for co-operative farms, and 10 million at 2% for Labour Societies. Also the State and the Insurance Societies are supplying 30 million lire for credit to co-operative building societies.

During my visit to the headquarters of the Institute I was very much struck by the absence of red tape, and also the comparative absence of what we should regard as formal security in making loans of large sums. I saw all the papers issued in connection with the loan of £20,000 to a group in Latium for the purchase of land, and as far as I could see it depended entirely on the report of an official sent down by the Institute.

The money loaned in this way came from the State Treasury and I doubt if there is any other place where State money can be so easily obtained. It should be noted that the Institute is not a State Bank, but that it has a public charter, and is subject to a certain amount of State supervision and control. One outstanding feature about it is that it does not receive any of the vast deposits which are made in the People's Banks or the Raffeisen Banks. I pointed this out and it was admitted that it was a weakness, but apparently the division caused by politics and religion and individualistic tendencies of the People's Bank constitute an insuperable obstacle. There is only one central credit society in Italy, and when I visited this the Manager confessed frankly that at the moment it existed mainly on paper. In general the position of the National Institute is remarkably similar to that of the National Land Bank, and it is to be hoped that in regard to collecting the savings of the people we shall be able to improve considerably on its practice. I have not yet had time to go fully into their reports and balance sheets which I obtained, but I hope to profit by these in the near future.

It may be well to note that in Sicily a special co-operative credit institute with a state charter, but without state aid, has been set up to fulfil the functions of the National Institute; while in the southern parts of Italy the Bank of Naples, with state approval, uses a fixed portion of its deposits through a special section for this purpose.

3. Technical management. A special section has been created by the National League of Co-operative Societies for the purpose of giving expert advice to co-operative farming societies. This includes assistance in book-keeping, in financial matters and in technical management. In addition there is at Bologna a federation of collective farming societies, which is affiliated to the National League, and

which carries out the function both of a Wholesale Society and of a supervisory body. In both Reggio and Bergamo there are smaller federations of a number of farms for the purpose of providing expert management and advice, and the same also applies in Sicily. Finally the societies have at their disposal the services of the 'Cathedre Ambulanti' or travelling chairs of agriculture which are Government institutions corresponding more or less to the agricultural instructors in Ireland. There can be no doubt that the majority of the societies have learned to appreciate the benefits of scientific management and advice, although it should be noted that there is no compulsory audit in Italy and that there is a good deal of weakness in this respect. The Bulletin of the International Institute of Agriculture claims, as a result of the establishment of these farms: (1) improved agricultural methods and results, and (2) higher moral standard among the members. It says: "With regard to the moral education of the members the societies have undoubtedly aroused in them a feeling of responsibility and given them a more exact appreciation of the methods of agricultural production, their cost and their returns".

The general recommendations which occur to me as a result of the trip are as follows:-

1. The Bank will have to provide from the start for loans for working capital to the societies, and a separate section will be needed for this purpose.
2. A large part of the funds should be derived from deposits. The Bank should endeavour to act as a central co-operative credit society, and should establish savings banks in connection with the colonies and otherwise throughout the country.
3. As soon as possible an office of technical assistance must be established in connection with the Bank, and it may become necessary to appoint a technical manager for each of the colonies.

4. Every effort should be made to encourage the formation of Class C. societies, the precedent for which in Italy is very much more hopeful than I had expected.
5. The principle of liens on crops and chattels should be carefully examined, and the business of discounting of bills or promissory notes also undertaken.
6. The closest possible contact should be established between co-operative trading societies and the farms, for the purchase and sale of produce.
7. Every colony should be federated with the I.A.W.S. and should as far as possible sell produce to that body, which will then be in a position to grant it a certain amount of credit in case of emergency.
8. The social and moral aspects of the colonies will require great attention, and the appointment of an educational organiser for this purpose may perhaps be desirable.

Lionel Smith-Gordon

January 14th 1920.

BUREAU OF MILITARY HISTORY 1013-21
BURO STAIRE MILEATA 1013-21

No. W.S. 616

APPENDIX "B"

Copy of circular setting out the
objects and scope of the National Land
Bank undertakings.

NATIONAL LAND BANK LIMITED.

68 Lower Leeson Street, Dublin.

The National Bank Ltd. is a co-operative Society registered under the Industrial and Provident Act and governed by a Board of Directors elected by the shareholders. Voting power and interest on share capital are strictly limited in accordance with co-operative principles and any profits made will be the property of the members and will be allocated to borrowers and depositors at the discretion of members subject to rules. Its objects are:-

1. To advance money to co-operative societies composed of occupiers of small holdings employing no permanent labour and/or landless men, for the purpose of purchasing estates and either subdividing them or farming them co-operatively. Such loan will be secured by mortgages and will be repayable within a period of fifty years, with periodical reductions in the instalments.
2. To assist the colonies thus formed by short-time loans for working capital - purchase of stock, equipment, &c.
3. To give technical advice and assistance to the members of such colonies and to build up self-supporting rural communities with a high social and technical standard.
4. To issue bonds to the public secured on the mortgage and general assets of the bank.
5. To take deposits at interest and to encourage the growth of savings banks and co-operative credit societies throughout Ireland.
6. To administer loans to co-operative societies and others for special purposes.

7. To do a general banking business for Irishmen in Ireland.

By supporting the National Land Bank Ltd., depositing your money with it and buying its bonds you will secure:

The use of Irish money in Ireland.

The building up of a co-operative commonwealth on the basis of healthy, prosperous, self-supporting rural communities. The establishment of a financial centre for the development of Irish industry.

And in general a safe patriotic, reasoned use of your money by men you trust in the interest of your own country, combined with a good return and first class security for yourself.

All requests for information should be addressed as under and will receive prompt attention.

BUREAU OF MILITARY HISTORY 1913-21
BURO STAIRE MILEATA 1913-21
No. W.S. 616

APPENDIX "C"

Copy of circular containing conditions
for the making of advances for land purchase.

National Land Bank Limited.

68 Lower Leeson Street, Dublin.

1. The Bank will lend money only to registered co-operative societies which adopt the model rules provided by the Bank subject to any approved modifications.
2. Such societies must consist of at least seven members and a secretary. Full members - that is those who wish to become owners or lessees of land - must not be habitual employers of paid labour other than that of their own family and dependents.
3. Persons wishing to form such a society and to purchase land with money borrowed from the Bank should acquaint the Bank with the fact that they are prepared to register a Society, and indicate the property they wish to buy.
4. The following information should be furnished:-
 1. Name and address of present rated occupier.
 2. Location of property.
 3. Acreage (Irish or statute measure).
 4. Poor Law valuation.
 5. If purchased under Land Acts, Receivable Order Number and amount of annuity.
 6. Price asked by vendor, or estimated value.
5. The Directors of the National Land Bank will, if they consider the request to warrant such action, cause the land to be valued and will on the basis of such valuation state the amount of money they are prepared to advance for its purchase.
6. The money will be advanced only subject to the following conditions:-
 - (1) That a Society is registered in accordance with Clause 2.
 - (2) That this Society deposits with the Bank by way of security a sum equal to 25% of the amount lent, to be dealt with as stated in Clause 9.
 - (3) That the title deeds are approved by a solicitor duly appointed by the Bank.

- (4) That all reasonable costs of organisation, valuation and legal formalities are borne by the Society.
 - (5) That the Society agrees to conform to all reasonable instructions of the National Land Bank until all moneys due to that body are repaid, and not to change its rules, constitution or policy without the written consent of the Directors.
7. On the establishment of such a Society on the land the National Land Bank Ltd will consider requests for short-time loans for necessary equipment and working expenses.
 8. The exact terms of repayment of each loan will be stated in the agreement made between the Bank and Society. Mortgages will be repayable in a period of 47 years by prescribed annual instalments including interest and capital.
 9. The deposit referred to in Clause 6(2) will be placed to the credit of the Society in the books of the Bank and will be credited with interest at the rate of not less than 3% and such further amount as the position of the Bank may in the opinion of the Directors from time to time justify. Such interest shall be paid in to the sinking fund of the depositing society and shall go towards redemption of the mortgage. The capital sum deposited shall be set against the outstanding balance of the mortgage and such mortgage shall be finally redeemed by application of this sum.
 10. Any payments in arrear may be deducted from the sum if the Directors so decide.
 11. Facilities will be given to societies to pay off their indebtedness by larger instalments than those laid down in the agreement.
 12. Borrowing societies shall take such shares in the N.L.B.

No. 2.

as the Directors may from time to time prescribe. Shares to be of the value of £1 each with interest at the rate of not more than 3% up to 1925 and not more than 6% thereafter and with limited liability. On and after March 31st 1921, each member society shall have the right to one vote in the election of four Directors of the N.L.B. as provided by the rules thereof.

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BURO STAIRÉ MILEATA 1913-21
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APPENDIX "D"

Copy of report to Directors on co-operative
farming at Kilcumney, Co. Carlow, by James
MacNeill.

NATIONAL LAND BANK LTD.

Report to the Directors on the position at
Kilcumney Farm, Co. Carlow.

by
Mr. James MacNeill.

I arrived at Bagenalstown on Friday evening. Mr. Quinn had gone away on business. I called on the Parish Priest Father Cullen, and had some general talk about the farm project. I saw Mr. Quinn next morning. He had business during the day away from Bagenalstown, and had asked the local committee to meet on Sunday at 4.30. I went to Kilcumney and walked over the farm with the caretaker. Mr. Russell (of the Labour Union) came to see me in the evening and Mr. Quinn also came and talked the matter over. I devoted my attention mainly to ascertaining the possibility of doing anything definite this season. Mr. Russell was eager, Mr. Quinn willing and Father Cullen would support any proposals of which people with farming experience approved. On Sunday afternoon Father Cullen, Mr. Russell and Mr. Maher (a local farmer and member of the Kilcumney committee) came at 4.30. The first named had to go soon after 5 o'clock. Mr. Maher was against trying to cultivate &c. this season. He followed Father Cullen when the latter went away, and Mr. Russell remained till Mr. Quinn (who was absent at land for the people meetings) came at 7.15 p.m. Mr. Quinn and Mr. Russell went away for an hour, and about 8.15 Mr. Lennan and a Mr. Murphy (a young farmer from Borris) came. Very soon the other two returned and we talked the matter over till 12.30. We agreed to go on with the formation of a Society, which should consist of 8 persons, four were to be farmers' sons and four labourers. Mr. Lennan undertook to help in getting over difficulties arising from the lateness in beginning the season's cultivation work. We agreed to meet again on the next evening and, with the assistance of two other local farmers, make out a plan of operation and estimate of cost of equipment and also select suitable occupants. On the

next day I had a further talk with Father Cullen. Mr. Art O'Connor came over from Celbridge and agreed generally with what we had decided upon. I told him our principal work at the evening's meeting would be the selection of landowning members, of the proposed society and that the local people must settle this. So he went away in the afternoon as neither he nor I thought that he could render much assistance. He asked me to impress on the others the need for getting the new landowners and their friends to subscribe the necessary quarter of the purchase money.

In the evening Messrs. Lennan, Quinn, Russell, Murphy, Tuite and Ryan (local farmers) met me again and we discussed ways and means and made a provisional selection of 8 persons to take over Kilcumney and work it in co-operation. The joint ownership and use was considered in every way to be more desirable than the division of the land into separate holdings. The farm can be worked much better as one farm, and its division would be very difficult. The new owners would be drawn from the vicinity and would not for some time need to be housed. The selection of probable joint names took a good deal of time. The fact that at most one of the possible labour nominees could contribute towards the cost of purchase (by subscribing for National Land Bank share capital) was and remains a difficulty. I explained that I was not authorised to modify the conditions relating to purchase of shares and urged that efforts should be made to get the necessary £1,600 subscribed whether the members of the proposed society subscribed equally or unequally. Mr. Lennan and Mr. Quinn undertook to see Father Cullen about this difficulty and to communicate the results of the meetings. (The latter could have attended the Monday meeting if needed but I asked him to let us deal with the tedious controversial matter by ourselves).

I think the selection will be finally decided upon in a day or two and I hope that the 4th purchase money difficulty will be solved. I was asked, if under the peculiar circumstances, an exception could not be made. I replied that I was not authorised to vary the conditions, that variance in this case might be a very inconvenient precedent and that I thought I ought to ask them to make efforts and to put themselves to inconvenience both for local and national reasons.

The following is the plan of this year's operations, and estimates of the floating capital needed to launch the scheme and of the first year's outlay and return are added.

Immediately land is to be ploughed &c. for 50 (Irish) acres of oats and 14 acres of potatoes and roots. The remainder of the land will be divided into meadow and pasturage. In April 15 cows and 20 young beasts will be bought. When the co-operators are installed they will undertake work of shed building, drain digging, fencing &c. &c. There is a lot of work, both repairs and improvements, to be done. From here round milk will be sold to local creamery (or to Dublin).

The cost of equipment (to be purchased as needed) is roughly estimated as follows:-

1 Binder	£80
2 Carts	40
2 Ploughs	18
1 Drag Harrow	6
1 Spring Harrow	8
1 Metal Roller	20
2 Sets Harness &c.	16
1 Hay Rake	5
1 Mower	30
1 Hay Car	18
1 Milk Cart and Harness	25
Small Implements &c.	5
Corrugated Iron and Sundries	29
	<hr/>
	£300
	<hr/>

Stock

4 Horses	£200
15 Cows	600
20 Young Cattle	400

For this season, seed about £175 for oats, or about £180 in all.
Manure for root crops about £70.

Until the milk money comes in the 8 men need a subsistence allowance of £1.10.0. weekly, i.e., about £250, till the end of June.

Rates to be paid (probably £50).

So the financing of the scheme will need -

1. A long term loan of £6,400 which will mean, on an annuity payment of 7% combining principal and interest, £448 yearly.
2. An 8 year loan of £1,500 repayable at £250 yearly.
3. A less than one year loan of £500.
4. Miscellaneous (rates &c.) one year of £100.

The total annual charge is £1,300.

The return estimated is (upwards of) 18 barrels of
oats per acre (50 acres) @ 25/- per barrel £1000

<u>Milk.</u>	3 months @ £4 per cow per month (15x3x4) =	270
	3 " " £2 " " " " " =	90
	Profits on 20 young cattle till March ...	200
	Receipts from sale of hay, straw, eggs, potatoes ...	150
		<u>£1420</u>

The margin is small. The £120 seems to be all that is left to feed the occupants from July to end of year. I think the estimates of outlay may be high and receipts were intentionally estimated moderately, but someone more competent than I must overhaul the figures. Mr. Lennan had not much time to go into this, I think he should be invited to come

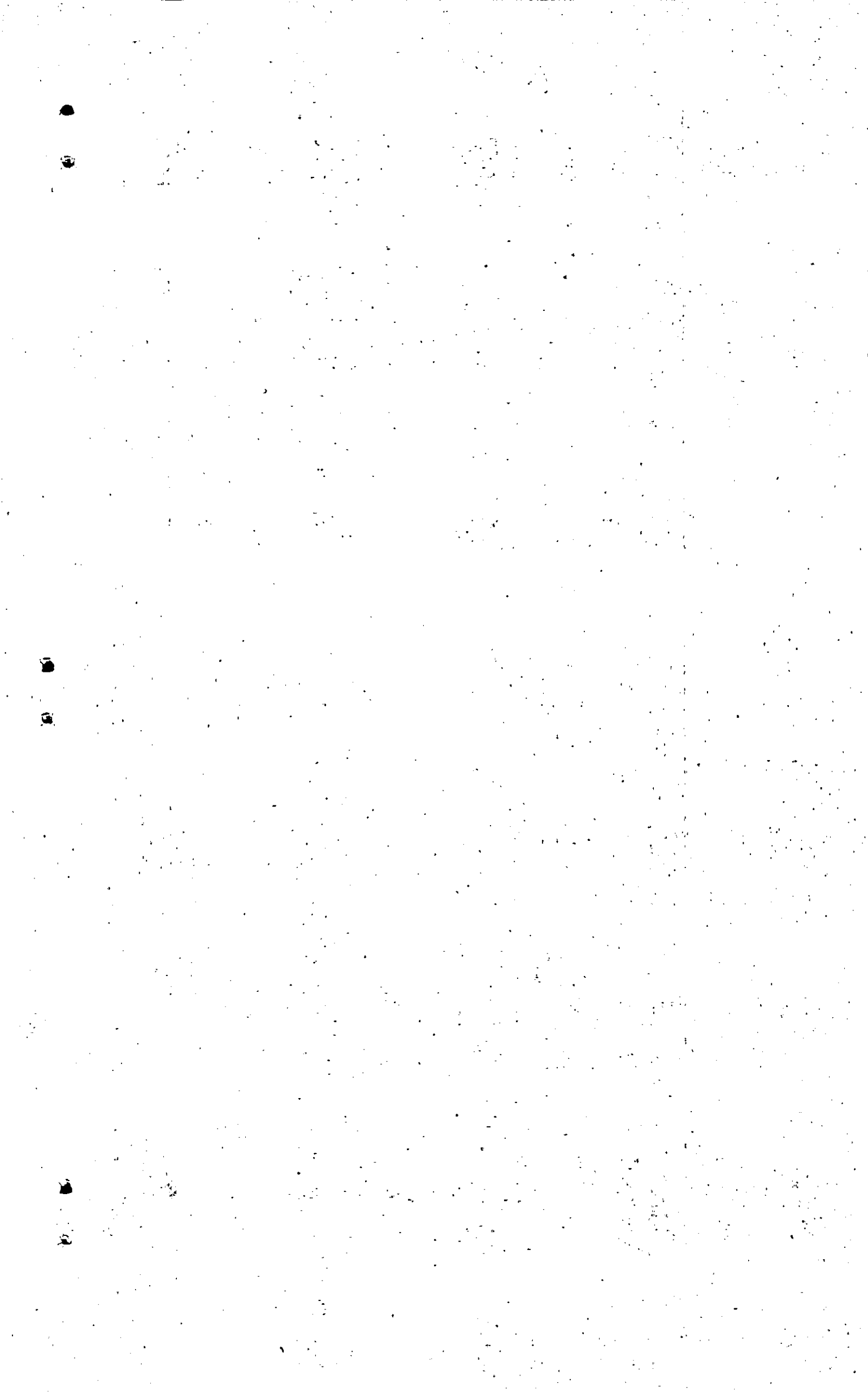
and discuss, I think the 30/- weekly may be curtailed but do not yet know. I believe the oats return is much below what the land has in fact produced, the figure being avowedly conservative.

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APPENDIX E.

Copies of Agenda for Directors'
Meetings.



January 15th 1920

AGENDA

1. Co-option of Sir Henry Grattan-Bellew.
2. Opening of Share register
3. Secretary's Report on his tour of investigation.
4. Mr. MacNeill's Report on position at Kilcumney.
5. Arrangements re house.
 - (a) Furniture and carpets
 - (b) Strong room and safes.
 - (c) Stoves.
 - (d) Wiggings.
 - (e) Name.
 - (f) Lavatories.
 - (g) Telephones.
 - (h) Letting of flat.
6. Staff arrangements.
 - (a) Caretaker.
 - (b) Clerical staff.
 - (c) Hours of work.
7. Equipment.
 - (a) Typewriters &c.
 - (b) Stationery.
 - (c) Books and forms.
8. Appointment of sub-committee to carry out checks - Question of fidelity bonds.
9. Issue of prospectus, circulars &c.
10. Discussion of basis or mortgage.

L. Smith-Gordon.

National Land Bank Ltd.

AGENDA.

Wednesday January 21st 1920.

1. Minutes
2. Purchase of House.
3. Equipment &c.
 - (a) Decoration
 - (b) Furniture - cheques for payment.
 - (c) Stationery
 - (d) Safes and strongroom
 - (e) Stoves.
4. Arrangements for opening office.
5. Change of registered address.
6. Letting of flat.
7. Draft mortgage.
8. Banking arrangements with I.A.W.S. - Transfer of a/cs.
9. Determination of original scope of business other than mortgage.
 - (a) Current a/c
 - (b) Deposits
 - (c) Miscellaneous loan business
 - (d) Agency work
10. Fisheries Loans.
11. Offer of £20,000 deposit.
12. Irish correspondence &c.
13. Estate at Drumsna.
14. Subdivision of land at Kilcumney and similar estates.
15. Policy with regard to Director's meetings, publication of names &c.

L. Smith-Gordon.

Secretary.

National Land Bank Limited.

February 4th 1920.

Agenda.

1. Minutes.
2. Appointment of acting chairman.
3. Draft circulars &c.
4. Arrangements re stationery, forms &c.
5. Draft Rules and by-laws.
6. Mortgage.
7. Issue of bonds.
8. Appointment of a solicitor.
9. Kilcumney.
10. Agreements.
11. Other business.

Lionel Smith-Gordon.

Secretary.

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