8. Organization and Resistance

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8.1. Mutualism

“Mutualism” refers to all voluntary arrangements, in which people make contributions to a collective fund, which is given, in whole or in part, to one or more of the contributors according to specific rules of allocation. The concept goes back to the nineteenth century and was probably coined by the French social anarchist Pierre-Joseph Proudhon. The idea behind mutualism is simple: there are things in everyday life people desire but cannot acquire for themselves as individuals. Such things can consist of labour, of goods, or of money. There are two possible reasons for the existence of such items. On the one hand, there are tasks that individuals cannot possibly execute on their own, within a reasonable period of time. For these, they need other people to help them. And on the other hand, there are tasks which an individual could well execute him- or herself, but which would have significant negative effects on the person involved, for example because working to obtain a good on one’s own is frightening or stultifying. In both cases, individuals benefit by asking others for help. In compensation for this help, they can perform a similar (reciprocal) task in return, or pay for it. Mutualist activities not only occur among all kinds of workers, but also among other social classes. Mutualism is in this sense not class-specific, although it often is an important component of proletarian survival strategies.

In a great variety of circumstances workers have utilized mutualist arrangements to make their lives more liveable and less risky. Mutualism took a great variety of forms in the past, and still does today. Yet patterns and relations can be discerned. In general there are three kinds of mutualist arrangements, based on (i) scheduled demand and rotating allocation; (ii) scheduled demand and non-rotating allocation; and (iii) contingent demand and non-rotating allocation.

Scheduled demand means that the people involved know in advance that they will have to perform a certain amount of labour, or to pay a certain sum of money or goods at some point in the future. There are two kinds of scheduled demand: one-off and recurring. Single expenses may for instance be refunded for ceremonies or parties, on the occasion of rites of passage, such as weddings or funerals. On such occasions, the individuals or households involved are in acute need of a large amount of goods or money which they cannot supply by themselves in a short period of time. Among these single expenses, I include the purchase of durables and investments in capital goods. The second variety of scheduled demand is a matter of regularly recurring expenses, such as the periodic strain on household resources at the end of the month. In these cases, mutualist associations can also provide a solution.
Non-scheduled demand is unpredictable and unplanned, and usually comes as an unpleasant surprise (illness, unemployment, etc.).

Rotating allocation means that all participants in a mutualist arrangement will come in for their turn; there is then necessarily always a maximum number of participants (roughly between 10 and 200), because everyone wants to have his or her turn within a reasonable period of time. Non-rotating arrangements imply that only some of the participants will receive money, labour or goods from the common fund. With non-rotation, there is no technical limit to the membership in these cases, and therefore such associations can contain large groups of people.

Scheduled demand and rotating allocation

In some cases mutualism revolves around the provision of labour; the participants in an arrangement can either rotate labour, or use labour for the production of one good, by which all can benefit. In the first case (rotation), one person first “consumes” the labour of the rest of the group, and after that another, etc. Such forms of labour rotation are known around the world.¹ Nicolaas van Meeteren describes such an arrangement on Curaçao, which was popular there until the first decades of the twentieth century: “Whenever one needed to weed, plant or harvest, the custom was implemented that was known as ‘saam.’ All neighbors then agreed to work for each other once or twice in the week in the evening by moonlight. The beneficiary of the work provided rum and refreshments. As the workers encouraged each other by singing in turns in ‘guenee’ or ‘Macamba,’ the work went smoothly and everyone benefitted by it.”² Van Meeteren thinks that a saam had the advantage that the work was done much faster, because workers encouraged each other, which is very important, especially for strenuous labour in the fields.³ Other writers confirm this conjecture. David Ames offers two explanations: working in a group both stimulates friendly competition among workers, and is more agreeable: “Working with one’s companions, joking and singing, is obviously less tedious than solitary labour.”⁴

In the second form of labour mutualism, the joint effort results in a shared product. The members of the collective gather once or several times to work together, for

² Nicolaas van Meeteren, Volkskunde van Curaçao (Willemstad: no publisher, 1947), p. 35.
³ Ibid.
the production of a good from which they all hope to benefit when it is finished. Collectively building a community centre or a church are good examples.

Labour mutualism often becomes less important when the role of money increases in the local economy. The tendency to buy labour tasks individually with money then usually grows. On Curacao, the saam seems to have disappeared from the 1920s or 1930s onwards. Similar trends are visible in many places. But there are also exceptions to this rule. In the case of the Maka in Southeastern Cameroon, the rise of the cash crop cultivation instead stimulated labour rotation, because the Maka refused to perform wage labour for the other villagers.

It is a small step from labour mutuals to mutualist institutions, where the fund consists partly or wholly of goods or money. Labour rotation corresponds exactly to the simplest kind of the so-called rotating and credit savings association (rosca), in which, however, the labour input is replaced by a contribution in kind or in money. For example, an anthropological study in the early 1960s recorded that Indian migrants on the island of Mauritius operated a rosca called a cycle or cheet: “A man or a woman calls together a group of friends and neighbours. Suppose there are ten of them, and each puts in Rs. 10. They then draw lots and the winner takes the Rs. 100. (Sometimes the organizer automatically takes the first ‘pool’.) The following month each again puts in Rs. 10, and another member takes the resulting Rs. 100; and so it continues for ten months until each member has had his Rs. 100.” In other words, sums of money were deposited in the cheet, but for the rest the logic was the same as in labour rotation. It is therefore not surprising that some scientists believe ROSCAS originated in rotating labour pools. Whether this explanation is correct has yet to be established by empirical research.

But ROSCAS can also be much more complex than in the simple case outlined above. The allocation of the order of rotation is central to ROSCAS. It can be determined by a common arrangement among participants; an allocation by the organizer; by auction; or by drawing lots. In an auction, participants can of course exert a strong influence on the order of allocation, and this method can therefore lead to complex relations of debt and credit within the arrangement. In the case of Mauri-

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tius, we find that, like the Indian immigrants on the island, the Chinese also had RO-SCAS. But these functioned in a different way:

“...operate a variant of the cycle in which the ‘lenders’ (late drawers) in effect receive interest payments from the ‘borrowers’ (early drawers). The participants bid for turns; a man in need of quick cash may bid to take Rs. 90 instead of Rs. 100, if permitted to draw first, or he may agree to put in a total of Rs. 110 over the cycle if he can have Rs. 100 immediately. Thus the other members of the cycle receive in due course more than their contributions; the difference is a form of interest paid to them by those with more urgent need of money. If the second and third drawings are bid for as well, the total interest payments to the more patient members increase.”

The number of varieties of allocation through ROSCAS that have been invented is astounding, and the arrangements could become very complex. Why some ROSCAS are more complex than others is still largely unknown.

The sum that has to be deposited in every “meeting” in a ROSCA can vary considerably. Large sums of money must for example have circulated in the rotating manumission funds with which Brazilian slaves-for-hire bought their freedom in the nineteenth century.¹ There are obviously goods too expensive to pay for with ordinary ROSCAS. Houses are a clear example. In general, they cost so much that households have to save many years for them (if indeed they can save this amount of money at all). In such cases, a ROSCA can be employed in which the members do not receive a payment in every round, but after several rounds. If, for instance, ten families each want a house worth 10,000 and if these families deposit 1,000 every year in a shared fund, then one family can buy a house after one year and after ten years all families have a house. Such ‘extended’ ROSCAS were established in the United States in the first half of the nineteenth century. Later they were introduced in many other countries. ROSCAS of this type were also referred to as “terminating societies”, discontinued when all the founders had had their turn.

Scheduled demand and non-rotating allocation

As the ROSCAS are in a sense homologous to forms of rotating labour, the second form of labour allocation has a counterpart in the domain of goods and money. In


¹⁰ Maria Cecilia Velasco e Cruz, “Puzzling Out Slave Origins in Rio de Janeiro Port Unionism: The 1906 Strike and the Sociedade de Resistência dos Trabalhadores em Trapiche e Café”, Hispanic American Historical Review, 86, 2 (2006), pp. 205–245, at 223, observes, that “the model of the manumission funds “seems to have been the esusu [ROSCA], a Yoruba institution [...] that the African diaspora introduced in several parts of the Americas.”
this variety, a group saves a certain amount of money by means of a periodic contribution. They can subsequently do one of three things with this sum. They can buy a common good that remains a collective possession (a joint good), they can distribute the saved sum again among the participants (individual allocation of money), or they can buy goods that will subsequently be distributed among the participants (individual allocation of goods).

A joint good can be anything. The Ethiopian mahaber is an example: “It usually has the purpose of providing assistance to those who are still in the countryside, not having migrated to an urban area. Thus, the residents of a principal city will meet periodically, and provide funds to support some project back in the home village or in the countryside, such as building a school, hospital, road, community hall, or furnishing one of these facilities, or some other needy purpose.”¹¹

A fund created to be allocated simultaneously can, in the meantime, also be used as a credit facility. In that case, all members of a group regularly deposit money in the fund, but they can also temporarily take money from it, promising to repay later. Usually, a member who takes out a loan will have to pay interest. Such an arrangement is also referred to as an Accumulating Savings and Credit Association (ASCRA).¹² Migrant workers in Cameroon have an institution which they call a family meeting or country meeting. These are associations of people from the same region, or from an area, where the same language is spoken. Delancey describes the arrangement:

“The get-together frequently opens with some business transactions. Members contribute money to be held as savings by the associations until the end of the year, and the treasurer deposits these funds in a bank and/or may make interest-payable loans to members – and, occasionally, to non-members. All savings and accumulated interest are returned to the members in November or December, and this enables them to pay their heavy Christmas expenses. But many immediately return a large proportion of the accrued funds to the savings programme for the next year, which opens at the same meeting.”¹³

When a group of people establishes a collective fund to buy means of production (instruments etc.) and starts a business on own account, this is actually a combined buying, production and selling cooperative employing its members. Such arrange-

ments have a long history. The association which fourteen unemployed piano makers set up in Paris, one and a half century ago, offers an illustration:

“They began [...] by collecting contributions of a few pennies from each member. Since they worked from home, most owned some of the necessary material for their trade: they contributed to the society in kind. On 10 March 1849 they established the society with 2,000 francs worth of inventory and 229.50 francs in cash. Following this major accomplishment, the society was ready for clients. None came for two months. Of course, the members obtained neither profit nor salary; they survived by pawnning their personal belongings. The fourth month they found a bit of repair work and earned some money. Dividing it amongst themselves, they obtained 6.60 francs apiece. Each member kept 5 francs from this modest dividend. The surplus (i.e. 1.60 francs per person) was used for a fraternal banquet with their wives and children to celebrate the association's auspicious beginning. [...] In June, a few weeks later, they had a windfall, an order for an entire piano costing 480 francs!”

Contingent demand and non-rotating allocation

It is also possible that a collective fund is set up on the basis of periodic contributions, paid out in part or as a whole only when a calamity occurs. The savings fund is then used as an insurance scheme. Again, there are two varieties: the money is used to cover either individual risks or collective risks.

There is a collective coverage of risks when the group is threatened by a common danger – a danger that can only be averted by a joint good. Daniel Defoe provided an example, when he wrote about farmers in Essex, Kent, and the Isle of Ely, who were jointly maintaining walls against floods: they all contributed to the keeping up of those walls: “and if I have a piece of land in any level or marsh, though it bonds nowhere on the sea or river, yet I pay my proportion to the maintenance of the said wall or bank; and if at any time the sea breaks in, the damage is not laid upon the man in whose land the breach happened, unless it was by his neglect, but it lies on the whole land, and is called a level lot.”

There is an individual coverage of risks when members of an association are individually threatened by a danger, such as for instance illness, death, or disabilities caused by labour. In that case, all members may periodically contribute to a mutual insurance society, but only those members who need compensation for a specific reason receive a benefit from the fund. Mutual insurance societies are based on a variety of social categories. Workers have organized mutual insurance according to

their occupation, place of residence, neighborhood, ethnicity, religion, temperance, or a combination of these categories. They often excluded women and aged people. John Iliffe reports about such an insurance arrangement organized by immigrant casual labourers in the port of Dar-es-Salaam in 1937:

“The subscription was Shs. 1.50 a month for committee members and Shs. 1.00 for ordinary members, relatively high figures because the union planned to provide benefits for its members. ‘They say their union is for the purpose of helping one another when sick and for burial purposes,’ it was reported, and the rules promised that ‘the union will assist any member in distress.’ [...] Besides their desire for security, the members also sought advancement. ‘Every member should learn to read and write’, the rules stated, for which purpose ‘the Union will employ a teacher to instruct members in reading and writing’.”16

It is not uncommon that mutualist associations are linked to each other directly or indirectly. People are sometimes members of several associations of the same type at once. A mutualist arrangement can also be transformed into a commercial enterprise, or a game of chance. And other forms of organization (guilds, for instance) can be transformed into mutualist associations. A special kind of transformation occurs when mutualist associations become permanent, or are formally institutionalized. If the rotation principle is from rotating associations, they can become institutionalized in this way. Institutionalized forms of non-rotating arrangements, such as ascras, are well-known, for instance in the case of Credit Unions. Like many ascras, their members share certain features, such as their religion or profession. They have a corporate structure, and their function is mainly to provide short-term cash credits to members at nominal rates of interest. In the course of the twentieth century, credit unions have spread from North America over large parts of the world.17

Men and women take part in all forms, but it seems that rotating associations are often made up mainly of women, whereas men comprise a relatively large part of contingent associations. A satisfactory explanation of this difference in gender composition has not yet been given.18

Threats and securities

Like any other collective activity, mutualist associations can also fail in many ways. In order to assess the specific nature of these threats, it is useful to remind ourselves of the essence of mutualist funds. In all cases, members contribute money, goods or labour to a shared fund, from which subsequently payments are made to some or to all members. In some cases, especially in scheduled non-rotating associations, members can also borrow money or goods from the fund for a certain period of time.

We can now distinguish between two fundamentally different kinds of threats. Firstly, there are external threats, i.e. threats against which participants in the arrangement can do very little on their own. These threats can take the following forms.

- Members may no longer be able to deposit money or goods or pay off a loan, because of changed circumstances. Take for instance mutuals in a working-class area, where families are almost completely dependent on one employer for their income. In that case, the bankruptcy of the employer will also endanger the mutual arrangements in that working-class neighborhood.

- The fund of mutuals is threatened by violence, inflation, and so on. In China at the end of the nineteenth century, “the T’ai-p’ing rebellion, with its long train of sorrows, and the continual famines and floods of later years in Northern China, have tended to bring loan societies into discredit, because experience has shown that thousands of persons have put into them what could never be recovered.”

- Especially in contingent associations, the danger exists that a natural disaster or economic downturn can affect an entire population, so that many or all members of a mutual demand payment at the same time, and the fund is quickly exhausted. A friendly society whose members work in the building trade will get into great difficulty, for example, if a recession occurs in the building industry causing widespread unemployment among many members of the association at the same time, and makes them apply for a benefit.

- Apart from these external threats, there are also internal threats caused by individual imperfections.

- Individual members do not pay the deposit agreed upon. The severity of such defaults varies considerably. In rotating societies, it makes a big difference whether a participant failed to pay her contribution before she received her payment, or afterwards. In the first case, the damage is limited; in the second case, the other participants suffer a great loss.

– The administrator appropriates money illicitly from the fund, or manages it badly. The person who has the kitty in his home is continually tempted to borrow money from it “just for a short while.” Hotze Lont noted that this is not uncommon in Java, where administrators “usually try to repay the loan before the association needs the money.” In this way, their actions remain hidden and they continue to have personal access to a convenient source for financial emergencies. Sometimes, however, they lose control, and the fund suffers.²¹
– Especially in contingent organizations, members may claim a payment on false grounds by simulating illness, unemployment etc.
– Members may claim and receive a loan on false pretenses, or not repay a loan in time, or only partly, or not at all.

Mutuals cannot do much against external threats (like wars, crises etc.) as such. At best, they can in some cases try to make themselves less vulnerable by spreading the risk. Friendly societies, for example, reduced the likelihood that all members would suffer the same adversity at the same time by means of supra-regional amalgamation, which ensured that members came from different regions and trades. And some roscas deliberately tried to recruit members with different economic backgrounds.²²

Mutuals have many more ways of combatting internal threats. Mutuals that are part of a very close community will suffer relatively little fraud and default. Shirley Ardener already pointed out how much people in such circumstances were prepared to do to save face.²³ There are known cases of fathers who preferred that their daughters became prostitutes, rather than fail in their obligations to the local mutuals. Sometimes, ‘technical’ factors make fraud more difficult. It is, for instance, no coincidence that many mutual insurance associations initially focused on funerals, because it is very difficult to simulate death. Verification becomes more difficult if the social bonds between members of a mutual are not so strong or, in an even more extreme case, if members of a group do not even know each other personally. The last case is relatively unusual, although there are several known examples of this variant.²⁴ In case of asymmetrical information (when the founder of a mutual has insufficient information about the reliability of a candidate member), precautions become crucial.

In principle, there are three kinds of security measures available. Firstly, there are rules for selection: the threat to the arrangement can be reduced by only allowing persons to join who are likely to meet their obligations. Here are some examples.

- Entry is permitted only for persons with whom members have not just a financial relationship – for instance relatives, or people with the same ethnic background, or people who went to the same school.\(^{25}\)

- Entry is permitted only for persons who are not likely to “disappear” suddenly without trace. If the mutual has a kitty which is more or less permanent, it is especially important to find an administrator who is firmly tied to a place in one way or another. In rosca in Jamaica, for instance, it was a rule that the administrator should be a person “with real property, such as a home”, and “with a permanent address where he can always be found.”\(^{26}\) Similarly, mutual benefit societies often entrusted their kitty to publicans or clergymen – persons who would risk a great deal, if they were found guilty of fraud.

- Entry of new, unknown members passes through a trial period or (in the case of rotating arrangements) puts them at the end of a cycle, so that potential deceit does little harm.

- New members are selected on the basis of their reputation or their good name, i.e. the probabilistic beliefs the others hold about the potential member’s preferences or feasible actions.\(^{27}\)

- Existing members act as guarantor for dubious members. In the Ethiopian ekub (a rosca), each member was obliged to supply one or more guarantors, who would pay in case of default, regardless of the reason why a member had failed to meet his obligations.\(^{28}\)

- New members are required to pay an entrance fee or bond to encourage their loyalty, and/or are required to provide a security or collateral for the loan.

Monitoring provides a second means of security. This practice is especially important in mutual insurances. In his study of mutual aid societies in early nineteenth-century Paris, Michael Sibalis shows how closely members kept an eye on each other. On the one hand, visiteurs were appointed, who were supposed to visit those who received sick benefits – both in order to check them out, and as an act of charity. In this context, the articles of association state that “The obligations of the visitors consist of surveillance, benevolence and humanity. The interests of the Society are entrusted to them; they should not make an exception for anyone.” Sometimes, the member of the board responsible for the selection of visiteurs was “not allowed to select them either from among his friends, or from among the neighbours who were too


\(^{26}\) Anon., “‘Partners’”, p. 436.


close to the sick person.” On the other hand, ordinary members often spontaneously scrutinized each other as well, as happened in 1823 when “a society of engravers cancelled the sick benefits of a member named Vialard when someone spotted him drunk in a wineshop.”

Sanctions are a third precaution. We can distinguish between external and internal sanctions. In the case of internal sanctions, members of the mutual meet out punishments themselves. It is important to know in this case in whose direct interest it is that the rules of the mutual are adhered to. If all the members have to pay for a loss together, they all benefit by punishing the offender. But if for example it was agreed that the coordinator of a ROSCA personally would act as guarantor for default or fraud only that person has an immediate interest in the punishment. In the case of external sanctions, either officials (the state authorities) can administer punishment, or the larger community (such as the entire village). Such sanctions sometimes have a formal character, but they are often informal as well: in that case, the default-er quite simply loses his reputation, and is therefore unable to join a mutual again. In the case of the Ethiopian mutual insurance idir, “any members in arrears for two or more consecutive periods may be expelled – this news quickly spreads, and an ex-member may be barred from joining another idir.”

Conclusion

Mutualist arrangements were and are operated around the world. However, the frequency of their occurrence varies considerably, depending on the social context. Associations with scheduled demand seem to be especially common in poor countries, and among migrants in poor and rich countries. Associations with contingent demand seem to be universal, but in advanced capitalist countries they lost their small-scale and non-bureaucratic character, insofar they had not been replaced altogether by government provisions. What is the explanation for the popularity of mutualism, or the lack of it, in given social and historical circumstances?

There have of course always been alternatives for mutualism. Indeed, anyone with a certain degree of autonomy who regularly needs money, goods or labour can usually borrow these on an individual, private basis, from other people in his or her direct social environment. In the case of fairly small sums of money, one

30 Ibid., pp. 16–7.
can often appeal to relatives or acquaintances. In the case of larger amounts of money, approaching a superior and asking for credit would be the obvious thing to do. In all these cases, a relationship of dependence is formed, which can impede personal freedom and, in the case of patronage by a superior, could even result in debt bondage. It is therefore likely that, normally, one would only resort to this kind of solution if, for some reason, other solutions were not possible.

These other solutions fall, broadly speaking, into two categories: mutualism and formal institutions, such as banks and insurance companies. What factors play a part in the choice between these alternatives? No doubt, an important aspect of this choice is that mutualism is usually more than just a form of “micro-finance”. Apart from their manifest function of redistribution, mutualist associations usually have a latent function as well: they satisfy a need for company, and a sense of community solidarity. There is, especially among new immigrants, a great need for “clubs” and similar organizations, because they help the newcomers to adjust.³⁴

The sociable character of mutualist arrangements and their roots in communities differs from banks and insurance companies in important respects. In the first place, mutualism offers a solution to people who lack the will to save a certain amount of money or goods on their own. By means of mutualism, an individual may reach what Jon Elster called “imperfect rationality”: an individual recognizes his or her own weakness, and voluntarily appeals to external compulsion to realize what he or she would not achieve by him or herself.³⁵

A second difference is that mutualist associations are often psychologically and/or practically more accessible than banks: official institutions are sometimes located at a great distance, and one has to be prepared to make a long journey to visit them; banks ask for a surety or guarantors for a loan, while mutualist arrangements need not do so in most cases because the participants know each other personally; official institutions are impersonal and formal, whereas mutualist associations are personal

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³⁴ Roscas are very common among migrants. In Papua New Guinea in the 1970s, rosicas were known among migrants in the towns as “sundaying” or “fortnighting.” One author comments: “it is a characteristic of the labouring and lower income groups from all parts of Papua New Guinea; it is not typical of public servants or other white collar workers.” In a sample of 28 working families in Lae, 22 heads of family engaged in “sundaying” and in a sample of 89 migrant workers around Goroka, 59 “sundayed”, percentages 66 and 79 respectively. Skeldon regards this as a process of adaptation: “The system appears to recreate in a modified form the cycles of debt and credit, of exchange and reciprocity in the traditional society. It helps to integrate the migrant into a network of social responsibility in the urban environment.” Ronald Skeldon, “Regional Associations among Urban Migrants in Papua New Guinea”, Oceania, 50 (1979–1980), pp. 248–272, at 252–253.

and informal; official institutions sometimes operate considerable financial or legal barriers.

In Papua New Guinea, for instance, the colonial authorities had, for a long time, laid down restrictions on the access of Chinese migrants to banks. “According to Chinese informants, the first bank loan was not granted to a Chinese until the 1950s.” David Y.H. Wu, “To Kill Three Birds With One Stone: The Rotating Credit Associations of the Papua New Guinea Chinese”, American Ethnologist, 1 (1974), pp. 565–583, at 570–571.


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Suggested reading


De Swaan, Abram and Marcel van der Linden (eds). Mutualist Microfinance. Informal Saving Funds from the Global Periphery to the Core? (Amsterdam: Aksant, 2006).


