

## Notes and Comments

# A Sceptical View on the Reincarnation of the Irish "Gombeenman"

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### I. THE GOMBEENMAN IN THE INDEPENDENCE PERIOD

A study of the Irish "gombeenman" (Gibbon and Higgins, 1974) is likely to claim the interest not only of social scientists but also of historians who have encountered prototypes and variants of some of the basic themes. The present paper while using the above study as the principal focus for discussion, also embraces some of the major related contributions on the topic of Irish rural indebtedness. In the course of rejecting many of the propositions presented by both historical and contemporary critics an alternative interpretation is outlined. In relation to the particular study by Gibbon and Higgins it should be made clear in advance that, while the joint authors' broad speculative comments on political anthropology are interesting, an evaluation of their merit is left to writers more familiar with that field. However, to the extent that this theorising proceeds from a thin empirical base of less than uniform quality, a cautious reception seems in order. We begin by looking at this base in some detail.

The initial confusion in the Gibbon-Higgins thesis stems from their failure to formulate a working definition of "gombeenman", one which differentiates him from a broad band of rural traders. Thus the authors, hard on the trail of the gombeenman across a century of Irish history, tend to confuse their quarry with other figures on the social landscape. Ardour outpaces evidence in this chase as the ubiquitous ogre assumes a variety of new shapes. Not that the definitional point is an easy one, as the Select Committee on Moneylending (1897) discovered long ago. Admitting to being perplexed in this matter, it expressed its difficulty in distinguishing between legitimate trading in credit and the activities of professional moneylenders which on the whole the committee considered undesirable. The agricultural reformer, Horace Plunkett, described the gombeenman as the local usurer (see Minutes of Evidence taken before the Select Committee on Money Lending, 1898, Question 1940), but this formulation presents the obvious difficulty of determining what rate of interest on credit transactions in money or goods should be considered exorbitant. And this cannot be answered in isolation from such factors as the specific level of risk involved, the price and availability

of alternative credit sources and ultimately the incorporation of normative elements into the analysis. In a modern contribution to this debate, such as that by Gibbon and Higgins (1974), one might expect a more refined notion of what constitutes usury (or at the very least an appreciation of when the term represents little more than a convenient expression of abuse). As regards portrayal of the incidence and scale of monopolistic practices through time, a persistent tendency towards exaggeration appears present. This may be illustrated by the following extract (p. 34) where Gibbon and Higgins commit themselves to an implicitly quantitative statement. It may also be noted that their handling of the evidence and the inferences drawn give cause for concern. "While moneylending . . . has declined substantially as a source of gombeen economic power, credit-retailing combined with gross indebtedness remains the rule rather than the exception on the west coast. Reliance upon the gombeenman as principal source of personal and agrarian credit, *and its correlate of bonded clientage, remain undiminished.*" (Emphasis added.) The reader is then referred to Gilmore's report (1959) on credit provision in rural Ireland, the implication being presumably that this lends weight to the above claims.

As those familiar with Gilmore's study will recall, the report, if anything, suggests contrary lines of thought. The study recognised farmers' indebtedness to traders and provided a rough estimate showing that indebtedness to such sources in 1958 was a mere fraction of total farmer indebtedness. More generally the ratio of total debts to total assets in Irish farming in that year was only 8.5 per cent, thus indicating that credit was used very conservatively by Irish farmers. Indeed one of the major findings by Gilmore was that "... most farmers could profitably use additional capital or credit as a means of expanding production or improving living conditions on the farm or both."<sup>1</sup> These generalisations are likely to apply with diminished force at the level of very small farmers, but there is no suggestion of an association between small farmer indebtedness and bonded clientage. According to Gilmore (1959, p. 7), in general, merchants were "... doing a very good job in supplying farmers with their production supplies on credit." Nor were trader interest rates particularly high, being reported as averaging about 10 per cent per annum. This is hardly excessive as free credit for the first 60 or 90 days was normally extended to purchasers. More important though is the consideration that farmers quite rationally value the accessibility and flexibility of trader credit. That such credit terms could sometimes be less costly than bank credit, because of the less rigid repayment arrangements, is implicit in one of the representative farmer comments quoted by Gilmore (1959, p. 11): "When the bank loan is due they expect their money whether or not the cattle are ready or the crop harvested." By contrast on page seven of the report,

1. Crotty (1966, pp. 97-100) has similarly drawn attention to the low level of indebtedness in Irish agriculture, and has suggested a further interesting adverse implication. Such a situation he believes is responsible in part for a relatively inactive land market and a consequent misallocation of resources. (While Crotty, on page 100, misquotes Gilmore's estimate of farmers' total debts, and also miscalculates this as a proportion of farmer assets, none the less the basic argument stands.)

one has the clear impression that traders are less insensitive to the timing of repayments; as is evidenced by their acceptance that farmers were sometimes slow (but reliable) in discharging their obligations.

In addition to the reference to Gilmore a few, mainly undocumented, instances of modern abuse of economic power by creditors are put forward by Gibbon and Higgins. Some of this data is based on direct observation and investigation, while the studies of Brody (1974) and Messenger (1969) are also invoked. Regarding the latter, one must remark that the study area, the small island of Inisheer, is hardly very typical even of conditions on the western seaboard. While Brody's study of a parish in county Clare represents an especially fine piece of descriptive analysis, its economic content is open to question. It is claimed (Brody, 1974, p. 156) that the households that make up communities in the west are acutely vulnerable to the newest version of the gombeenman. This ambitious judgement is not supported by data on the production costs of local services, prices, or even a crude consideration of major determinants of competition—number and size distribution of firms, conditions of entry—in the relevant market area. The extent to which a particular sub-market is integrated with wider markets and the effectiveness of this factor in enforcing competitive behaviour is not explored. If, as is implied, substantial profit opportunities exist then one wonders why outside firms have not attempted to penetrate such areas. Not only is the account incomplete to the point of being unsatisfactory, through neglect of crucial issues, but it also appears to be internally inconsistent. Brody (1974, p. 198) states that entrepreneurial types move away from his study area, a movement commended as being consistent with the economic aspirations of the migrants. But if large monopolistic profits exist locally, how can one reconcile this with the observed outflow of budding entrepreneurs? Might some not have remained and exploited local profit opportunities? Alternatively, perhaps these would-be entrepreneurs have a clearer perception of the economics of local enterprises. If, as is suggested here, Brody failed to consider issues vitally relevant to the argument he was unfolding, one may wonder if the uncritical reception of this part of his findings by Gibbon and Higgins also signals an over hasty interpretation of some economic problems in their own field work. Be that as it may, one would wish for a much more convincing demonstration than that afforded by rather pin-point observations in space and time, before suppressing the suspicion that the malpractices noted possess anything more than fringe status in terms of the degree and extent of their incidence.

Before considering the role of the gombeenman prior to 1922 a major illustration of the terminological confusion that besets the paper by Gibbon and Higgins must be cited. We are told (p. 35):

Gombeenmen are still disproportionately prominent in local and national government. Chubb's analysis of the social composition of county councillors and parliamentary deputies shows that publicans, small shopkeepers and small businessmen, who make up 3.2 per cent of the

employed adult population, represented 31 per cent of county councillors, 34 per cent of parliamentary deputies and 20 per cent of ministers in the last (Fianna Fáil) government.

Are all small and medium-sized traders to be considered as gombeenmen? If only some, what selection principle is to be used? Suffice it to say that Chubb's important empirical finding (1974) rests less than easily on the value charged bed that has been prepared for it.

## 2. THE GOMBEENMAN IN THE PRE-INDEPENDENCE PERIOD

In the half century before political independence it would be generally accepted that exploitative relationships existed between *some* traders and *some* clients, and that the frequency of abuse was more pronounced at earlier rather than later points in time. It is contended though, that the scale of the problem has been exaggerated, that the complexities of the economic environment have not been fully appreciated, and that evidence has been ignored which indicates erosion of the structural conditions facilitating abuse, even before the turn of the century.

A useful departure point, from which the discussion can be moved backwards in time into the late nineteenth century, is the very comprehensive report on agricultural credit published in 1914. The authors, while accepting that much hardship had been caused in the past to smaller farmers (particularly in the west) by the operations of specialist moneylenders, came to the firm conclusion that "gombeenism" in this form had practically disappeared. Moving further back in time, another official investigation (Inquiry into the Present Condition of Tenant Purchasers under the Purchase of Land (Ireland) Acts, 1903, p. 345) found that contrary to initial expectations, the gombeenman had not only failed to flourish as a result of the transfer of land to tenant purchasers, but was in fact disappearing. The writer and agricultural reformer, George Russell (A.E.) in evidence before the Select Committee on Moneylending (1898, Q. 2141) stated that the gombeenman specialising in the provision of credit had practically vanished because of the pressure of the commercial banks and public opinion. Another witness P. J. Hannon, an agricultural reformer with first-hand experience of conditions in the west of Ireland, could only provide evidence of three districts where such moneylending at high interest rates still persisted (Q. 2268). These witnesses, in line with Gibbon and Higgins, would, however, claim that the old system of "gombeening" was reappearing in new shapes, most notably in the form of credit-retailing. Indeed, the authors of the 1914 report on agricultural credit also entertained some fears along these lines as their description of a gombeenman (p. 87) suggests.

Generally speaking, a "gombeen" man may be described as a local moneylender, often a shopkeeper, who by advancing money at high interest has so got the necessitous farmers into his grasp as to cripple them with a growing burden of indebtedness and leave them almost helpless victims in his hands. In the cases where "gombeenism" is combined with

shopkeeping the debtors are often unable to transfer their custom to another shop, through fear that such a step would be followed by immediate prosecution for the amounts due by them.

The pervasiveness of credit transactions requires little comment, but an interpretation of its implications is less straightforward than some critics seem to have imagined.

A major historical source containing detailed observations on trading practices over a reasonably wide (but unrepresentative) geographical area is a confidential set of reports compiled by the Congested Districts Board (CDB) of Ireland (see Inspectors' Local Reports, 1898).<sup>2</sup> This consists of 84 local surveys conducted in the west of Ireland. Most of the surveys were completed in the early 1890s. From evidence assembled on interest charged on credit transactions it is clear that fairly extensive areas of high interest rates were to be found in such counties as Galway, Mayo and Donegal. It is evident though that areas of this kind were concentrated in the mid- and north-west, but interestingly not in the south-west of the country. In other words this experience had a marked regional character. This is not to suggest that some instances of high interest rates might not be encountered in the south-west. The point is the extent of such practices was not noteworthy relative to the dominant pattern of low credit charges there. Nor can other regions of the west be considered homogeneous in terms of high interest charges. One may take two of the previously mentioned counties, Donegal and Galway, to illustrate the contention of a wide dispersion of interest rates. Thus in the districts of "The Rosses" and Glenties (Donegal) and the Aran Islands and Clifden (Galway) charges of 20 per cent or more per annum are reported, while in north Inishowen, in the former county, and Levally, in the latter, credit charges are less than half that amount. In the urban districts in these and other western counties where competitive pressures were more severe than in rural areas one would generally predict low average interest rates. Overall, of the 84 poverty stricken areas investigated by the CDB roughly a quarter had average interest rates of 10 per cent or less while in more than half the areas rates were under 15 per cent. (The student of comparative agrarian studies may find it instructive to contrast the CDB evidence with fairly recent data on credit charges in some of today's developing countries—parts of Laos 48–120 per cent per annum, parts of rural Hong Kong 120 per cent per annum, and on a lower interest plane, agricultural moneylenders in India frequently charging in excess of 18 per cent per annum (see papers by Halpern, Topley, Hoselitz in the collection of readings edited by Firth and Yamey, 1964). One can only conclude that the supply of credit in rural Ireland at the end of the nineteenth century compares more than favourably.

It was observed by contemporaries that high interest charges were most pronounced in the poorer districts of Ireland, a category of which the CDB areas

2. For historical evidence on trading practices prior to the 1890s, note the sources cited in Ó Gráda (1974) and Donnelly (1976).

represent prime examples. If in such extreme cases one cannot find uniformly high charges on a general scale, then by inference, the existence of high interest rates on a massive scale in the less depressed areas is even less plausible. Reflection on structural change in the economy lends further support to this claim. One aspect of this was the strong advance of the retailing sector of the economy in the final two decades of the nineteenth century (Kennedy, 1976). To take just one relevant occupational group—the number of general shopkeepers per thousand of the rural population increased from 5.4 to 6.9 between 1881 and 1901, an increase of over 25 per cent (calculated from occupational statistics contained in the Irish censuses of 1881 and 1901 respectively). Over this period, the numbers of various categories of retailers advanced even more rapidly in some poor law unions in the west of Ireland, Oughterard, Mount Bellew, Bantry and Dingle for example. The significance of this is quite evident; competitive pressures in retailing were building up strongly before the turn of the century. Such competitive pressures acted to force down prices, including the price of credit long before the onset of the Great War. Gibbon and Higgins (p. 42) refer to the “multiplication of local gombeenmen” in the west during and immediately preceding the Great War. If, as appears to be implied, all rural traders are to be referred to as gombeenmen then such a dating for the expansion of trader numbers is clearly too late.

A further crucial development acted on the level of credit prices. This was the extension of the banking system into rural Ireland in the post-Famine period. Thus while nationally there was only one banking office to every 37,600 persons in 1851, there was one to every 8,200 persons by 1891 (Departmental Committee on Agricultural Credit, 1914, p. 35). A complementary development about the turn of the century, the emergence of co-operative credit societies, was important for some distressed areas, especially in Connaught. The progress of these credit societies may be followed through the medium of the annual reports of the Irish Agricultural Organisation Society, which were published from 1895 onwards. However, despite the growth of institutional provision farmers and others (as is the case to a lesser extent today) tended to make extensive use of shop credit facilities, even where the interest charges were higher than those advertised by the commercial banks. This apparent paradox is not too difficult to explain. The real cost of bank borrowing was considerably higher than the nominal rate implied. Thus both Horace Plunkett (Q. 1930) and P. J. Hannon (Q. 2277) in evidence before the Select Committee on Moneylending (1898) complained that bank credit was poorly attuned to the needs of agriculturalists in that loans had to be renewed every three months or so, each renewal involving further expense. It was customary for borrowers to meet their guarantors' travelling expenses, a duty which was not so narrowly defined as to exclude fairly ample alcoholic refreshment. In addition, as George Russell pointed out: “There are a great many other things which pile up the expenses. When a man goes surety for his friend he expects that he will work for him occasionally; he is under an obligation to him . . .” By imputing values to these associated costs, Russell calculated that the real cost of bank borrowing could on occasion rise to as high as 40 per cent

per annum. A figure of this magnitude is no doubt unrepresentative of the general experience, but it brings out forcibly some less obvious features of bank borrowing. Viewed in this light the competitiveness of traders in the supply of credit, in terms of price, convenience and flexibility, is obvious.<sup>3</sup> Indeed it is only fair to recognise that the fall in the cost of borrowing owed much, not only to the extension of the banking system, but also to competition between traders.

Banks were of course also indirect suppliers of credit to the rural population to the extent that they made credit available to traders who in turn transmitted this to clients—frequently to clients who would be rejected outright by the banks as uncreditworthy, yet whose credit needs were sometimes desperate. The comments of Mr Walker, C.B., a member of the CDB, are apt in this respect:<sup>4</sup>

The principal man who is financing the people in the West of Ireland is getting a very bad name—the grocer—but if you take the risks he incurs, I don't think his charges are too high. He lends year after year. He is getting a very bad name, but there is no bank that would lend money to the people he deals with, except at a very high rate of interest. The rate of interest depends upon the security, and there is practically nothing in the way of security to give . . .

Similarly, a labourer from county Waterford, appearing before the same inquiry, speaks of the difficulty facing people of his class in getting essential credit from any source other than from traders (Q. 18495). This reinforces earlier claims by agricultural reformers who stressed the very limited credit opportunities available at the base of rural society. And it hardly requires emphasising that in some districts where sporadic potato failure in the 1880s and 1890s still meant near-famine conditions, consumption goods on credit were the very stuff of survival.

### 3. CREDIT IN A DEVELOPING ECONOMY

A general current of suspicion regarding credit provision sometimes pervades writings on the subject—a stream of thought in no sense specific to Ireland (medieval Europe resounded to the thud of debate on the question of usury, in some contemporary developing countries discussion is charged with socio-political and racial considerations). It may be thought that the future historiographer of social studies in Ireland will note a certain resurgence of polemical interest in the

3. It is no doubt also true that shop credit sometimes involved further costs, such as being tied to a particular outlet for instance or being obliged to accept sub-standard products.

4. Report of the Departmental Committee on Agricultural Credit in Ireland (1914, Q. 4501). It is only fair to add that Mr Walker suggests, by implication, that the suppliers of such credit were amply remunerated. It is agreed here that monopoly profits accrued to traders in some districts, particularly in the west, but as has been argued earlier this represented a subsidiary pattern and one which was increasingly under pressure by the turn of the century as local monopolies were progressively undermined.

topic<sup>5</sup> after its previous peak towards the end of the last century. Then the main sources of such critical views were agricultural reformers, such as Horace Plunkett, Fr. Finlay, George Russell, and R. A. Anderson. Whatever may be said of the specific content of some of their views on the supply of credit, and there was some variation in ideas between the critics, it should be recognised that on the whole they appreciated the importance of credit in rural economies. George Russell, whose literary hat fitted much more easily than his economist's hat, expressed the basic problem with a typical flourish (1912, p. 9): "But an income which depends largely on the state of the weather yawns with empty gulfs; it has so many cracks, gaps and fluctuations . . ." It is also clear that agricultural reformers perceived the difficulties faced by the conventional banking system in servicing the poorer sections of the rural community, and so quite naturally were led to propose innovations along the lines of co-operative credit societies. What they perceived only dimly, if at all, was the local trader's role in lowering information and transaction costs (much as did co-operative societies) in relation to borrowing, thus constituting a more competitive supplier of rural credit than the joint-stock banks in some sectors of the credit market. Quite clearly local traders were much closer in geographical and social terms to potential borrowers; they were better placed to assess the creditworthiness of the many customers who had little if any security to offer; they appreciated the variability of income flows in a precarious rural economy. Also of course they accepted clients who would be considered too high a risk by the banks. In consequence their interest rates must be evaluated in the light of the specific level of risk.

The significance of trader credit may be underlined by reference to some general economic propositions. Creation of a financial infra-structure—money, credit, financial institutions—is vital to economic development, specifically in promoting efficiency in exchange and encouraging further specialisation and production for the market. In a highly developed capital market a variety of specialised institutions and an elaborate price structure co-ordinating the actions of different categories of borrowers and lenders, are present. In the absence of such specialised institutions part-time financial intermediaries, such as traders, perform some of these vital economic functions. Thus the development of trader credit in nineteenth-century Ireland represented, on the whole, a desirable expansion of credit arrangements, and one which, in the absence of more formal provision in some areas of the country, and of the credit market, gave an impulse to economic activity.

In drawing attention to the positive features of credit provision it is not implied that traders as a group, no more than any other occupational group, glowed with altruism. In the absence of strong evidence to the contrary it seems safest to assume that in general they charged at or close to the maximum the market could bear.

<sup>5</sup> Excluding some scattered newspaper references to the modern gombeenman, the outstanding embodiment of this unfavourable attitude is the paper by Gibbon and Higgins. Though less focused, sections of Brody's *Inishkillane* exude a similar distaste. An earlier though more muted instance is Byrne, J. J., "A.E. and Sir Horace Plunkett" in C. C. O'Brien (ed.): *The Shaping of Modern Ireland* (1970).



Abuses certainly existed: but it is contended that their scope and incidence cannot have existed on a major scale by the beginning of the present century, given the structural changes in the economy discussed earlier. Increasing state intervention in the market was a further, but less important, factor reducing undesirable practices. As we advance into the twentieth century the high levels of traders performing marketing and distributive functions, and the more complete integration of local markets as transport and information costs declined undermined the bases for monopolistic practices on any substantial scale.

#### 4. CONCLUDING COMMENT

It is not proposed to recapitulate on the major features of rural credit provision and the associated issues. The debate is both old and new Irish and international. The recent critical contribution, that by Gibbon and Higgins, while in the tradition of some earlier Irish writings, is an extreme example of the genre.<sup>6</sup> The evidence we have assembled in the present paper indicates serious difficulties in both this and previous critical positions. In the course of our reinterpretation of the available data very different conclusions have emerged. It is hardly necessary to add that we dissent from the grand summary contention (Gibbon and Higgins, 1974, p. 43) that "the continued significance of patron-client relations in the Irish countryside appears to depend . . . on the emergence and solidification of new forms of usurious petty-capitalism, recreating feudalised social relations of production in its march of progress." The doctrine of the reincarnation of the Irish gombeenman is not persuasive. While writings on his second and subsequent comings yield some colourful local insights, it is clear that unless the evidence is handled carefully such theses contribute more to the demonology than to the historical study of social relations in rural Ireland.

6. A factual error in the paper may be corrected: Patrick Gallagher (Paddy the Cope) was not the "founder of the co-operative movement in Donegal" (Gibbon and Higgins, 1974, p. 32). Co-operatives had penetrated the most northern county almost a decade before Gallagher helped establish the famous Templecrone Society (see IAOS Annual Report, 1898, appendix B). Note also the account by Horace Plunkett of efforts at the end of 1893 to organise co-operatives in Donegal (Plunkett Diaries, 1893).

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*A reply by P. Gibbon and M. D. Higgins to the above paper will appear in a subsequent edition of the Review (eds.).*