

credit for the sake of the benefit to be derived by the lender that is granted, as banks do, for instance, provided the security is good, but it is one of a particular kind, the really productive credit that is looked for and satisfied.

No other loan should ever be allowed on any pretext by the members of the credit board. I remember one striking case in which, acting as president and manager of the association I have founded at Lévis, I deemed it my duty to enforce that rule of our by-laws.

A member came to me and asked for a \$15 loan. I put to him the usual question: What is it for you want those \$15? And as he hesitated to answer, I insisted by reminding him that if he did not loyally tell me why he was borrowing I could not even submit his request to the board, he informed me that his object was to visit some distant relatives on a pleasure trip. I told him that I need not ask the credit board to lend him one cent for such an object, because they could not do it without violating the rule laid down in the by-laws, which rule was binding on everybody. Still, I must say that his credit was splendid, and that I had not the least doubt about his ability and willingness to pay at maturity. Why such a prompt and strict refusal? Because the object was not of a productive character, and to grant it would have been an encouragement to useless expenditure, whatever good sentiment may inspire the demand.

This rule is enforced by no less a punishment than expulsion if a member succeeds in deceiving the representatives of the society and obtains such a loan in stating what is not true, or utilize the loan for another object of an unproductive nature.

Now, the advantages to be derived from such a rule are obvious, and need not be referred to here in detail, but the following quotation from Mr. Wolff is worth reading in this connection, as it gives a fair idea of these advantages as a whole:—

‘But that only means breaking the first ground. The member is presumably honest. But does his intended outlay promise a return—will it repay itself? And is it legitimate in his particular case? These questions are very searchingly considered and according to the judgment passed in committee, under a sense of responsibility kept carefully alive, is the answer given. The committee are in respect of this matter strictly bound, not only by rules, and by their liability engaged, but, in addition to this, by the acknowledge that all that they do will be from time to time inquired into very carefully by an independent controlling body above them, which, in the interest of the bank, will not allow them to ‘stretch a point.’ There is no difficulty made, if the case should be thought to warrant it, on the score of amount or of time. A loan, to be a real help, must be adequate to its purpose. And it must also be granted for a sufficient length of time to make it practicable for it to repay itself out of its own production—or else the borrower will find himself hampered rather than helped, driven to taxing other sources of income in order to repay. But the object must be sound, and it must be legitimate. It may be to enable the borrower to procure for himself materials for his trade. It may be to enable him to tide over a slack time or avoid a loss by selling commodities below their proper value. It may be to assist him in doing more ample justice to his opportunities, in trade, on his farm or in his domestic economy. He may want to drain a field, to sink a well, to buy a cow or a pig, to build a shed or a house, or to make a road. It may be to enable him to purchase for cash at a considerable economy goods which he wants and for which otherwise he would be made to pay ‘through the nose.’ It may be to get him out of a usurer’s clutches. Many and many a loan has been granted for this purpose, with the very happiest results, to poor wretches who, almost ruined by usury, had scarcely a shred of solvency left. But all this has to be inquired into carefully by men who know the applicant, know his circumstances, who can watch him, verify facts, and who have a strong personal interest in not exposing themselves to loss.’

That is not enough. The borrower, when receiving the loan is required rigorously to bind himself to its employment only in the manner specified, on the outlay for which it has been approved—subject to the penalty of having it called in at very short notice (generally four weeks), should he fail to carry out this engagement. This is the