

# Co-operative Credit Associations

*The Farmers' View---A reply to the bankers' statement of the case which appeared in the May 10 issue of The Guide*

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I have been asked by members of my branch of the Grain Growers' Association to make some constructive comment from the farmers' point of view on the proposal for the establishment of co-operative credit associations, with special reference to the article by Mr. Vere Brown, of the Bank of Commerce, on Co-operative Credit Associations in The Guide of May 10. I have been asked to write, and I am writing because I have an intimate personal knowledge of the co-operative financial system that is such an outstanding success in this district. Mr. Brown writes from the viewpoint of the financial interest, while I write from that of the farmer.

In the first place, the thanks of the farming community are due to Mr. Brown for coming out in the open and stating his view of co-operative associations plainly, and I personally wish to express my appreciation of his candor in the matter. It is only by open discussion that we can ever get the various viewpoints.

Mr. Brown is, of course, dealing with the matter of co-operative associations on the basis of their borrowing from the existing banks. Let me say as an aside that, tho in the meantime it is a forward step for farmers to co-operate in getting funds from the banks, no permanent solution of farm credits can be reached in that way. The simple reason for this is that our banking system is designed for commercial credit, not for agricultural credit. The banks are catering to commercial credit and doing it, let us say, to the satisfaction of the commercial borrowers and to their own satisfaction. Our banks are not designed to furnish agricultural credit, and they never can do it as effectively as if they were designed for the purpose. That is not the fault of the banks but of the people generally, and of us farmers in particular, so at the very beginning I frankly admit, on behalf of the farmers, that we must shoulder the responsibility for the lack of agricultural credit. I absolve the banks from any blame for our not having a credit system for the farmers, and I give them credit for offering to put at our disposal for credit purposes the facilities they have.

Mr. Brown deals with six main points and I am going to refer to each of them in order. These are: (1) The farmers must combine and pool their credit; (2) The exemption as a handicap; (3) Restriction of credit of members; (4) Efficiency in farming; (5) Associations must provide credit for all deserving farmers; (6) Limited liability corporations.

## Farmers Must Pool Credit, Not Assets

I heartily agree with Mr. Brown on the first point. We must unite and pool our credit. Union is strength, and it is only by uniting that we can accomplish anything worth while either industrially or economically. And confidence is at the root of all co-operation. We must learn to trust each other. There is no one who can speak from experience as to the value of combination better than the banker. His business is strong and effective because of combination—he knows the value of it. When it comes to the method of financial combination I regret I have to disagree with Mr. Brown. We should pool our credit, not our assets. Mr. Brown suggests that the members should mortgage their lands and chattels to the association. There is a vast difference between pooling credit and pooling assets, not simply a difference in practice but in principle. We mortgage our land for long term credit, and we are going to continue to do that, indefinitely because it is inherent in the very nature of things. The only way we could get away from that would be by limiting agriculture to those who had sufficient permanent capital to enable them to carry on without the long term loan, and we are not going to do that. It may be that incidentally it would be desirable that some members should mortgage their farms to the associations, but it should not be the policy of the associations to take such mortgages. We should not take mortgages on members' chattels on any consideration. If our credit associations have to resort to the chattel mortgage from their own members they lack the first element of co-operation, that is confidence, and any association that begins with lack of confidence in its members had better to use a Hibernianism—quit before it begins. I can quite appreciate Mr. Brown's point of view. One of the inherent characteristics of our Canadian banking system is that credit by the bank is not founded on trust in the borrower but on the security of the borrower's assets. In a word, credit by the banker is based not in the main on the man, the human factor, but on assets, the property factor. The corner stone of our banking system is the value of property, not the worth of human character. In other words, it is built on materialism rather than spirituality, on things—not men. Both factors have to be taken into account in all credit, but in our banking system the material or property element is the corner stone, the spiritual or human element is merely the filling in. It might well be said that the human quality on which Canadian

for his viewpoint. He couldn't have any other and occupy the outstanding position he does. My point is that we farmers, while we thank him personally for his good and kind intentions, can only say with regard to this part of his advice, "No thanks, that kind of seed does not thrive on our farm soil."

Instead of the chattel mortgage I would suggest, where necessary, co-operative ownership of live-stock or other chattels bought co-operatively. Community ownership elevates a man and advances him humanly and economically—the chattel mortgage debases him—the one spells manhood, the other serfdom. Wherever co-operative ownership is deemed desirable it should be practiced. The chattel mortgage should be killed.

## Exemptions Ought to be Increased

I do not think I need say much in regard to exemptions. They are not a handicap, they are an advantage. They are a ground for credit, not for discredit. If we had had no exemptions on the prairie there are literally thousands of farmers who would have gone under long ago. There is just one thing I wish to say in regard to exemptions—that is that they should be largely increased. Every year more capital is required to farm, and the exemptions should grow accordingly. The exemption is not in order that a man may not pay his debts—quite the contrary; it is for the purpose of enabling a man to carry on and pay his debts. I quite appreciate the fact that the creditor class persistently preaches the doctrine that a debtor's property belongs to his creditor to the extent of the creditor's claim, and the exemption, being contrary to this view, is heartily opposed by the creditor class. The exemption is the farmer's anchor. If we had to choose between the exemption and the co-operative associations we should choose the exemption, because we are in any event going to have co-operation, and it is only a question of how and when. I wouldn't want to suggest that any bank would be capable of refusing loans to co-operative associations as a leverage to try to induce the farmers to abolish exemptions. I give our bankers credit for more astuteness than that.

By the way, the creditor class had everything their own way in the Manitoba legislature last session, and I judge from the signs that an attack by them is due on the exemption system in Manitoba. I am not afraid of the farmers falling for any such attack. However, I do give Mr. Brown credit for having made the most ingenious plan for doing away with exemptions that I have heard, that is that the farmers should form associations of themselves, and that in the interests of these associations they should cut off their own exemptions. I recognize that we farmers are an easy bunch to herd, but I do think that in this case Mr. Brown should admit that he is trying to herd us on pretty bare ground.

The Saskatchewan farmers should go just one step further in the matter of chattel mortgages. They should see that legislation is passed prohibiting chattel mortgages not only on exemptions but on all other chattels except for advances in cold cash. To permit the taking of a chattel mortgage on a farmer's equipment for an existing debt is, in one word, damnable, and there certainly is a judgment coming to every one of us farmers for allowing it for so long. Quebec is far ahead of us in co-operative credit, and they haven't the chattel mortgage at all.

## Credit Cannot Be Limited

Mr. Brown's third point is that the associations should limit the taking of credit by members, that is, the associations should prevent the members going into other debt. Well, they cannot. So it is not worth while discussing it further. Instead of taking into co-operative associations the kind of farmers whose credit they would have to limit and from whom they would have to take chattel mortgages they must leave them out—for the simple

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The Yardas region is covered with stumps and broken trees that were cut down by shell fire. Here is a wood near Vancouver.

banking is based is distrust, not trust. I am not stating this by way of criticism of our banking system. We have nothing to do with that in this connection. I am stating it as a fact to make the situation clear. The bank as between itself and the association may build on property and distrust, but the association as between itself and its members must build on confidence.

## No System Safe Without Confidence

Mr. Brown suggests that the farmer should build a co-operative system on the same foundation of materialism and distrust the banks are built on. It cannot be done. Co-operation cannot be carried on except on the basis of common confidence and mutual trust. I am not suggesting to any of my fellow farmers that they should not try to build a co-operative system on the basis of property and distrust. I am telling them as a fact that it cannot be done. If any of them wish to try it, all I have to say is, "Go to it and prove it for yourselves." The bank does it successfully because it and its customers are different parties dealing at arm's length—the co-operative association cannot do it because it and its members are one entity. You can distrust someone else and carry on, but if you distrust yourself you are done. We are ourselves, whether individually or as associations.

If we are going to form co-operative associations and going to succeed with them we shall have to leave out the chattel mortgage. As a matter of fact the chattel mortgage is a rascality in itself, but that is another story which I have not space to deal with here. Suffice it to say that the co-operative association is a grand thing, just because it is founded on mutual confidence and breeds trust in our fellowmen. I am not criticizing Mr. Brown