

Co-operative Credit Banks

How To Start Them

By Alphonse Desjardins, the Founder of the Canadian Co-operative People's Banks

Some six months ago I had the privilege of writing for "The Guide" an article dealing pretty extensively with the regime so well known all over Europe as "Co-operative Banking." The beneficial results of such a system were shown in an obvious way and that such was the general conclusion is proven by the numerous letters of congratulation I have had the pleasure to receive from the three Prairie Provinces where The Guide is so widely circulated. This time I am asked to state how to start such co-operative credit banks. It is with pleasure that I will answer the question in a summary but sufficient way so as to enable one to grasp the whole situation and see what is to be done, how it must be done, the results to be expected and what must be done to remedy the legal position in the Western Provinces.

In the first place, it must be stated that in these provinces this banking system must be started upon the voluntary system, on account of the absence of an Act authorizing the same. Neither the Federal Parliament nor any of the Western Provincial Legislatures having been progressive enough to pass such an Act, it follows that the people have to teach by practical experience their lawmakers how to legislate for the direct benefit of the real wealth producers, not for the sake of the middlemen only, those very ones who produce nothing but get rich by intervening between the farmers and the consumers. It may be argued that this teaching would be unfair for the masses, that it would be far better to start agitation to induce the lawmakers to enact the necessary legislation. The first point would be well taken and I quite admit that it is most unfair, but as to the second point, agitation would, no doubt, accomplish its purpose, but it would take a much longer time than would practical work, the mere beneficial working of such societies offering a much stronger case than would mountains of arguments. This mode of proceeding is essentially British, as it is the way the British democracy has achieved the most telling reforms upon economic grounds. The English Saving Banks, for instance, were started and were being operated many a long year before even Parliament dreamed of making a law to authorize their working, philanthropic individuals having taken the lead. Thus was created one of the most beneficial movements ever inaugurated for the advantage of the working and agricultural classes.

If Quebec, Why Not The West?

Other instances could be quoted. But this one is enough to set at rest the poor argument of the timid who would prefer to cross their arms and do nothing rather than work in their own interest without an Act of Parliament. Let us be as British as our own brethren across the sea and, following their good old example, force our would-be masters for the time being to give us laws that would suit our needs and keep us in line with the progress of the time, affording us the best means to successfully struggle along with the new economic forces that tend to monopolize the resources produced by the labor of the masses.

Surely the western farmers are just as able as the people of Quebec to use the same weapon. It is precisely what we have done at the outset in Quebec. There

was no law nor any legislative authority to start a co-operative credit society, but this did not prove an obstacle. We went ahead, boldly, fearlessly, being bent upon forcing our Provincial Legislature to enact the necessary legislation, and we reached our aim within a few years, after having shown by our successful efforts what benefit could be derived by such an organization. We can now justly claim to have the most perfect law upon the subject that can be found on this continent, being almost the ideal in its liberal provisions. It can be asserted without fear of contradiction, that if we had chosen the other method, viz, agitation, it would have required a much longer time to obtain what we wanted. Practical results are the best arguments that can be adduced and are always certain to carry the day.

Relying upon the experience of the mother country and upon our own, I do not hesitate to say that if the western farmers wish to organize credit among themselves in a co-operative way, the best way of all, offering the highest secur-

felt by the members either as shareholders or as depositors in their own institution, or as borrowers, free access being a paramount advantage which insures the largest measure of success and induces every one in a given community, be it municipal or parochial, who, being honest, thrifty and laborious, is eligible to membership.

Next to the question of the field of activity of the association comes the question of the equality of influence of the members. As it has been repeatedly asserted by the most competent authorities either in congress or otherwise, co-operative banking must not be based upon the value of the capital one can bring to the society but upon the individual as such. Being a union of persons, not of dollars, it follows that the electoral influence of each unit must be equal as to the vote, therefore the principle is strictly laid down: one individual, one vote, no matter the number of shares one owns.

Thirdly, the association being co-operative, only the members thereof can borrow from it. It is not a bank dealing with the general public, trying to make as much

As the society is not recognized by law and cannot, therefore, act as an Association, good care should be taken to choose the most reliable and honest man to be the manager, as he is legally the only one responsible for the funds and the loans made. But this feature should not frighten anyone, as the society, being legal or not, the same necessity of a first class choice is just as indispensable in either case, for the mere fact of a legal status does not give to the officers of a corporation the honesty desired in such responsible officers. Wise choice is the surest basis and this selection should always be made with the greatest care.

The manager of such a co-operative society not recognized by law is solely responsible for the funds received and the loans made, from a legal point of view; he is more or less like a private banker, with this important restriction, that he has the assistance of a well-chosen board of at least three reliable citizens, absolutely independent and trustworthy, whose advice must be unanimous and even then the manager being in a peculiar position has, and must have the right, to protect his own responsibility by refusing to grant a loan, if he has any good reason to do so. The situation thus created is no danger to the members providing the funds; on the contrary, the greater the responsibility, the greater also the prudence of the manager. Every year or even every six months accounts must be rendered to the general meeting of the society.

Funds Soon Increase

At the start the amount of the funds available in each such local credit society will very likely be small, but this lack of funds will gradually and rather rapidly disappear, as experience has proved it to be the case in Eastern Canada during the last ten years. By this system the small needs of the farmers will be cared for and gradually larger ones will be provided for within a very few years. Thus the savings and even the ready money, temporarily idle at home or put in a bank for the benefit of the big shareholders of these institutions, will be used to the advantage of the community which thus provides the resources. The management being their own will surely be of such a nature as to inspire in the members all possible confidence and the greatest measure of benefit. The great aim from an economic point of view is to find the means of putting the savings of the agricultural classes at the disposal of the same classes. Therefore the savings or ready money of the farmers should go to the farmers to help them along in their temporary needs or to enlarge their operations, buy implements on the cash basis, etc. Later on I am convinced that the funds of such societies would fully meet all the legitimate requirements of this nature and gradually even larger needs, like the moving of the crops under advantageous conditions for the producers, without the dire necessity of selling at any price, as it is too often the case now on account of debts or other obligations to be met. In other words, it is the very mechanism whereby the savings and the ready money of the wealth producers are put and kept at the disposal and for the benefit of the same class, instead of being held and utilized to the advantage of the financial class who use them to promote their

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ity and the greatest advantages, if the western people mean business, they should at once go ahead and sit down to work out their own credit problem without waiting for others to settle it. Law or no law, they must act at once and they will find out how soon and how easy it would be for them to obtain the necessary legislative authority when they will have their hands full of splendid results to show to their law-makers and convince them of the soundness of their new credit organization.

Local Unit The Foundation

To start in a sure way, certain basic principles must be set down and strictly followed up to their logical consequences in order to achieve the inevitable success that has been achieved in every country where the same system has been adopted. As I have stated in my former article, no gigantic scheme of provincial credit organization should take hold of the minds of the pioneers of this movement. It would be the very worst method to be chosen, one which would bring very poor results, if not disaster. Experience has demonstrated that the one cardinal principle of co-operative banking is absolute decentralization, or a mere local organization as a foundation. A great many reasons justify this system, among which is a more thorough knowledge of all and every member of the credit association, therefore a better basis of confidence implied in the very word "credit"; a much more perfect access for every one; access made easy, cheap and available at almost every hour when needs are

profit as possible. It aims at benefiting in the fullest possible way its members, and, in doing so, giving the small borrowers the preference over the larger ones. The purely industrial institution does precisely the very contrary, upon the principle of making the greatest profits with the least possible work, discouraging the small farmers to the advantage of the wealthy ones.

Officers Serve Gratuitously

Fourthly, all the officers give their services gratuitously, the manager alone being indemnified for his work in keeping the books. The Credit Board, ordinarily composed of three members and the three supervisors of the Association are not allowed to borrow, upon the principle that there is a great danger in allowing such officers to borrow other people's money the management of which is entrusted to them. The Board of Administration has charge of the general business of the society, but has nothing to do with the loaning of the funds.

Twelve or more persons in a given municipality taken as the local basis, can, joined together, adopt by-laws, such as those published in an official blue book that can be had upon writing to my address, Levis, Quebec; and elect their officers. The rules must fix the amount of the shares, how payable and withdrawable upon due notice, etc. The society should also have the advantage of receiving the savings of its members, paying the ordinary interest of three per cent. usually allowed by the banks for such deposits.