

# Co-operative People's Banks

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The earnest student of our modern rural world has not failed to come to the inevitable conclusion that the great and universal want in any agricultural community is the working capital or banking credit, organized in such a way as to exactly suit the peculiar wants of that special industry, more vital than any other one. Improvements on land, needed implements bought for cash and in the best market, the credit required to tide over a deficient crop or to enable one to await the most favorable time to sell the produce of the farm, to cover any deficit in the necessary daily working capital, without going here into every detail where credit is helpful, are well known and numerous instances where wants are felt and are very dearly satisfied, if at all.

The next question to be considered is whether it is better to have independent institutions based solely on the self interest of those well organized to exploit this field for all it is worth, or if it would not be far better for the farming community to build up their own credit institutions by co-operative action, using their own savings to satisfy, as a class, their own needs of credit instead of putting them in the form of mere deposits at the disposal of purely capitalistic institutions, receiving a bare three per cent. per annum interest, and paying nine, ten or even more per cent. for loans, when members of the same farming community want to discount their bills or borrow on mortgages.

## Plan is Feasible

There cannot be any hesitation about the answer to be given. The only question is to know whether farmers can safely organize themselves and obtain the results looked for in a practical and advantageous way. Experience extending over sixty and even seventy years has demonstrated the perfect feasibility of such an organization, and the wonderful success already achieved proves conclusively that farmers can and must be their own bankers, if they wish to be prosperous and independent of outside influences sometimes antagonistic to the interests of the agriculturist. Millions of farmers of all financial status in Germany, France, Denmark, Austria, Italy, Hungary, and Ireland are now so organized and are doing their own banking by hundreds of millions of dollars every year, enriching themselves, benefiting one another by so doing.

Who could not see that such a process would tend to increase the reward of the real producers and reduce the profits, sometimes scandalous, of those who never hesitate to use their influence to keep the existing bondage by defeating any attempt to alleviate it, as we have had ample evidence in recent years?

Statistical records of a very reliable character show that, in almost all the European countries, farmers have successfully worked such co-operative banking and that without such an organization they would have been unable to fare so well or even to hold their own. Co-operation does not apply only to distribution. Far from it, and with Sir Horace Plunkett, the great leader of Irish co-operation, it can be truly said that co-operative credit is more important, more useful at the start, more beneficial as an educative factor, than any other form in vogue.

## Legislation Necessary

What has been done by the farmers of other countries, even by Japanese and Hindoos, can surely be done also by our intelligent farmers. It requires only to tell them how to co-operate and rally their influence and energies to have the Federal Parliament to enact a suitable law as the one made long ago to suit the capitalists; and, pending the adoption of such an Act, to begin such an organization under the voluntary regime, which will be, perhaps, the best way to force Parliament to take up the matter and give it the right solution, taking the principle of co-operation as a basis, the only really beneficial one to all.

Moreover, the agricultural industry as needs of such a special character that

the existing banking system cannot satisfy. This is recognized everywhere and it cannot be otherwise, by the very nature of either. It is therefore more imperative to direct the attention of the farmers to the necessity of supplementing our present regime by the formation of co-operative credit as is flourishing all over Europe and even in Asiatic countries like Japan and India.

The first and foremost principle which must be the base of co-operative credit among workmen or farmers, must be honesty, industry and good conduct coupled with a renowned spirit of thrift. Without these factors as a foundation, it would be almost idle to hope for a reasonable success, because in a good many cases, if not in the great majority, the would-be borrowers would be unable to offer anything but such securities of a moral character. It is precisely because these people have no financial standing or no material security to present that they cannot have access to the existing monetary institutions, otherwise they would easily borrow at least sums of some importance. It is therefore obvious that another foundation had to be found, and it is equally obvious that it could only be found in the sole asset that a workman can offer, viz., his good conduct and good character.

## Misguided Philanthropy

As for thrift habits, whoever has studied this question and mastered what has been done so far to further these desirable habits, cannot deny that one object only has been kept in view by all the philanthropists who have set down their energies to help in that way the working classes, and that one sole object was the security of the funds collected, and that no one appeared to have had any idea of the borrowing needs of these classes, depriving them without the slightest hesitation or scruple of the means to satisfy such wants, leaving, therefore, the workman at the mercy of the money-lenders of all calibre and of all rapacious instincts. This defect has been felt quite a long time even on this continent, although Providence has lavishly bestowed upon our people most valuable resources. Hence the numerous usurers that are growing rich in almost every corner of our land, the evil having become so extensive as to call for numerous inquiries ordered by our legislative bodies, followed by laws intended to put down usury and protect its victims. But experience has shown that no law can effectively bring about such a result and that the great

law of offer and demand must predominate. The best way to get rid of usury is to devise means whereby the borrowing need of every honest unit of a community can be satisfied in a simple and cheap way. That is the very point that has not been considered up to now.

The co-operative people's banks are, as Luigi Luzzati, the illustrious father of the Italian people's banks, has said, perfected savings banks, perfected because they are not only mere reservoirs, where any one can safely put his savings, but also institutions where one can confidently appeal in cases of need, if he is honest, industrious and has shown himself deserving by his thrift and good habits. They are perfected savings banks because they put the capital accumulated at the disposal of the very classes who have almost solely contributed to its formation.

With the foregoing conclusions in view, it is of prime importance that a co-operative bank should by its organization and working afford all possible security, safeguards and control in order to command the entire confidence of the very classes for whose benefit they are formed.

## Must be Local Banks

These principles laid down, let us see if a co-operative people's bank as outlined hereafter will answer the purpose in view and afford the desired security.

To start with, the area covered by the bank must be a very restricted one, because its members must be known as honest men and possessing all the moral qualities above referred to. If the area was a large one it would be impossible to have such a perfect knowledge of one another and, therefore, the prime condition of success would be missing. It is a matter of notoriety that to deal with a truly honest and well-meaning man cannot bring trouble. Ability or smartness is not by any means the equivalent of that good old honesty that was and that is still so highly appreciated everywhere. It is therefore a point of the greatest possible importance to restrict the area in order to be absolutely safe in the choice of the members, that will have the honor and advantage to be considered worthy of such an admission. It is admitted now in Europe, where the system has been working for more than fifty years, that to this very point is due the marvellous success that has been achieved. It follows, therefore, that to neglect that principle, to disregard it in order to extend the business and enlarge its scope, would be a most dangerous

experiment that would bring disaster in a good many cases, if not in all, unless the very nature of the institution be altered in such a way as to make it a pure ordinary capitalistic bank with its peculiar characteristics well known among us.

## Shares Should Be Small

Once the question of the personnel resolved, let us see now the question of the capital or funds to be accumulated.

The shares should be very small, a few dollars only in order that any one, whatever may be his financial means, can subscribe at least one. Generally such shares are of five dollars. In Belgium shares are of but a few francs, two or three, about 50 or 75 cents of our currency. But even such small shares should not be payable in one single payment, because many would perhaps be unable to fulfil such an obligation. It is therefore desirable that the amount should be divided in very small instalments. No one could object, if really willing and desirous of becoming thrifty, to be a member of such a bank. It is needless to state that each member should take up more than one share, if not at once, at least when the one subscribed for is fully paid in, and so on until the maximum allowed by the General Meeting is reached. In order to prevent trouble or the undue influence that could be exercised at some critical or supposed critical moment by one who may happen to have available funds and would invest them in such a bank, by threatening to withdraw such funds at a particular juncture, when he would believe that, by so doing, he would coerce the society into his selfish views, the general meeting must always fix such a maximum, but the amount may vary according to the growth of the funds accumulated and, above all, to the growth of the Rest or Reserve fund provided for.

## Savings to be Deposited

But shares are not the only source from which the funds are accumulated; a member may and should lay aside savings for daily wants and deposit them in his own bank, benefiting by the current rate of interest for such deposits. The amount of the shares paid in and these savings so deposited are the resources from which are drawn the loans made to the borrowing members, for members only are allowed to borrow.

The rate of interest to be paid by the borrowers is fixed by the Commission on Credit chosen by the General Meeting. In fixing such rate great care must be taken not to exceed the current rate charged in the community for similar loans and which is considered as fair and reasonable. The profits arising therefrom are divided at the end of the year among the shareholders after paying the very small expenses incurred and laying aside a percentage for the formation of a Reserve fund. But it must be remembered that it is a rule not to increase the dividend without, at the same time, reducing the rate of interest charged to the borrowers, upon the principle that both are helpful and both factors must be benefited in the same proportion. It must be here stated that the maximum amount of the loan that can be made at any time to a borrower on note must be fixed by the General Meeting except for mortgage loans. This is so in order to prevent any undue preference or that a borrower, or a few of them should monopolize all the available funds, increasing thereby the risk of losses.

## Shares are Withdrawable

Before leaving this part of the subject it must be distinctly stated that the shares are withdrawable and that it is only just and fair that it should be so, nay more, that without this withdrawable feature it would be impossible to successfully start and maintain such a bank. Why? Because the very people that are appealed to to form such banks for their own protection and benefit, could not afford to put their small savings in shares that they would not be able to withdraw in case of urgent need. That is the reason why in England this form of co-operation has not made any progress

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NATIVE WOMEN IN INDIA CARRYING STONE FOR ROAD-MAKING

This picture illustrates the fact that in countries where labor is "cheap" it is also inefficient, and shows the fallacy of the argument that Canadian workmen need protection from foreign "pauper labor" by means of high tariffs.