

APPENDIX No. 3

the further rule which prohibits the making of a loan except for some profitable or productive purpose, or to effect some economy, but also to the security offered by the joint unlimited engagement of members of the bank to be responsible for its debts. This joint unlimited collective guarantee has been found to be an asset on which joint stock banks can safely loan.

A joint stock bank as a rule will not lend to an individual who has no security but his character to offer, but when a group of men known to be honest and thrifty and of good character, give their collective guarantee for the repayment of an advance, then experience has proved conclusively that a security is provided on which a bank can safely lend. The character of this security is shown by the fact that on the advances made to 2,169 Raiffeisen banks not one single cent has been lost.

Now, it is hardly for me to express an opinion upon the details of your Bill, but I would ask you to consider whether the provisions of the Bill as drafted are not, on this question of liability, undesirably narrow. Your Bill, by making a limited liability an essential condition, will prevent the establishment of banks of the Raiffeisen type, which have proved, as I have already stated, to be of the greatest benefit to the rural districts of Germany, Austria, Hungary, Italy, France, Ireland and India.

This is also the opinion of Mr. Henry Wolff, author of 'Peoples Banks,' 'Co-operative Banking,' &c., and chairman of the International Co-operative Alliance, to whom I forwarded last year a copy of the Bill. He has forwarded his criticisms of the Bill in the shape of a letter, which I understand he has communicated to the Canadian press. I have great pleasure in handing in a copy of that letter:

THE PROPOSED CO-OPERATIVE ACT.

Sir,—Will you kindly allow me, as one very familiar with the matter and very much interested in the introduction of co-operation, and specifically co-operative banking, into Canada, to pass a few criticisms on Bill No. 144, 1906, which is, I understand, to be brought once more before the Dominion parliament in the impending session with a view to its adoption. It would be a pity if you were, for want of having them pointed out to you, to fall into avoidable errors, when legislating on this subject.

There is nothing to be said against the general cast of the Bill. In some respects, it is an improvement upon our British Industrial and Provident Societies Act. But in others, it deviates from it to its prejudice.

Like all European states having legislation on the subject, which is in every instance to some extent borrowed from ourselves, we fix the minimum number of members permitted to form a society at seven, and the maximum holding of any one member not a society at £200. Why should you alter the figures severally to twelve and to £100 (\$500)? Most societies necessarily begin small, and it is desirable that even small beginnings should be encouraged. On the other hand, the object of such societies is to induce members to accumulate capital, and you seem to go very near defeating your own object in bidding them: be not saving overmuch. The category of bodies entitled to hold more ought, moreover, plainly to include co-operative societies, which the Bill excludes.

Next, the limitations of the area permissible to a society to an 'electoral division' appears to me, at a distance, of questionable expediency. I do not know what your electoral divisions are, but at any rate in the future their boundaries may conceivably very well cut through districts which are economically one. Why set up such unnecessary barrier? We have none in the United Kingdom. We have societies whose district penetrates into different counties. We have others which can be well conducted only in districts very much smaller than an electoral division, namely a parish. But then it is left to the rules to lay this down. Our Act leaves us free.

There is another point on which your Bill seems undesirably narrow. It appears particularly designed to facilitate the formation of co-operative banks: Nevertheless by its provisions making limited liability a *sine qua non*, and fixing the value of