

APPENDIX No. 3

By the Chairman :

Q. I think, Mr. Smith, it is now time for Mr. Desjardins to explain the features of his system. You might state how you organize it, on what basis it is organized, and what are the principles of the organization?—A. (The witness), I was just going to complete my answer so far as the second part of the question was concerned, that is the employment of these funds by a co-operative credit society. Anyone in the association who is in need of money can go to the society with the usual security, not very exacting in these cases, and obtain a loan.

By Mr. Smith (Nanaimo) :

Q. He can get a loan equal to his deposits?—A. More than that. The credit of the man is based upon his honesty. That is a startling principle, I suppose in finance. But we have made the experiment successfully.

By the Chairman :

Q. How do you make the selection of the honest borrower?—A. Well, first of all the society is not like a joint stock company in which a man buys a share and has all the rights of a shareholder. In these associations, a man cannot be a shareholder until he has first been admitted by ballot, and so we know something of him beforehand and whether he is honest or not. We will take him on his present honesty, or what may be described as his promise of future honesty. If he is admitted on his future honesty, of course it will take some time before he can come for a loan. The first choice or election is a guarantee, and we know each other the more so because the association only covers a small area, a small district where everyone is known, and it is strange how far we are known to each other.

Q. When a man comes for a loan it is a question for the committee who supervise these loans to see that it is not granted unless every possible information has been obtained, and if the information is not satisfactory then no loan is made?—A. Yes, but, as I said just now, we know each other pretty well.

By Mr. Bourassa :

Q. The whole basis of the safety of making these loans is the limitation of the territory covered by the association?—A. Certainly, to a large extent.

By the Chairman :

Q. How did you proceed to organize a co-operative society?

Mr. MONK.—Mr. Lemieux, I was just coming to that. You have been connected with only one kind of these associations, and have made a trial and experiment on that particular method. Perhaps, as the chairman says, you will tell how it works out in practice?

The CHAIRMAN.—I think a few years ago they started an association in Montreal, what is called co-operative stores, but in this case it is a banking society.

Mr. SINCLAIR.—We have co-operative stores in Nova Scotia.

Mr. MONK.—I understand, Mr. Desjardins, that the association with which you are connected is particularly with regard to banking and credit.

The WITNESS.—As I said just now, while the principle of co-operation is a very good one, in a new country like Canada it might not answer the purpose so well as in an old country or in other countries in Europe, and to make the experiment complete and make myself sure of it I resolved to start one of these co-operative credit associations.

By the Chairman :

Q. Where?—A. At Lévis.

Q. What would be the population of Lévis?—A. About 7,000. We included a
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