

a sense of practical economics. We admired what had been done in Europe, but we thought that our admiration should not prevent us from improving upon the old system or adopting a new one better suited to the conditions, circumstances, ideas, and prejudices of our people.*

DIVIDENDS

The yearly dividend on shares has been invariably at least four per cent., even for the first year of operation. Some banks have even paid five per cent., but we cannot approve of such a course. It is extravagant and should not be indulged in during the first years, because it is of paramount importance to increase the guarantee fund considerably before granting such a dividend. If there is one principle that should more than any other be always strictly adhered to, it is that the dividend should never be lowered. Therefore wisdom compels one to be very careful about increasing the rate paid on shares. A good system that we recommend is to increase the dividend, not according to yearly profits but according to the increase of the guarantee fund. Of course, the larger the guarantee fund, the larger also will be the yearly profits, for that fund is not supposed to be idle; on the contrary it earns something and thereby increases the total gross profits.

DURATION OF LOANS

Most of the loans made by the Canadian cooperative banks are for short terms extending to six months at the outset, some having been renewed for an additional six months or more; but loans have also been made for several years' duration upon mortgages.

*On page 847 of the Report of the American Commission, Mr. Henry W. Wolff is quoted as saying: "In Canada there is a cluster of admirable banks which have been in existence since 1900.....I do not recommend them because they are in a very imperfect and elementary state. The first bank was formed in Quebec in 1900 and is an exact facsimile of the Luzzatti bank, and the Luzzatti system is the one most likely to fail in America."

Mr. Wolff now states that his views concerning the Canadian cooperative banks have been incorrectly reported. In a letter to M. Desjardins of May 2, 1914, he reaffirms the opinion he expressed in an article in the *Economic Review* of London of October, 1913, that the Canadian system of cooperative banks is the one system likely to succeed in the United States.