

## APPENDIX No. 3

upon what in banking is technically termed "character," on security based upon the general status, position and character of a borrower and his sureties; mortgages are little used by these societies which are specially adapted for what is known generally as "agricultural credit," that is the loans for the current needs of the agriculturist and for his working capital (Page 9).'

Mr. Peters examines also the same question:—

'In these associations—and this is a characteristic which they have in common with other co-operative associations—the investor is usually secured against the fate which so commonly overtakes the smaller investor in joint stock companies, that of finding the concern so managed as to make his interest profitless to him until he is finally constrained to dispose of it to some larger shareholder for a fraction of what it cost him. The preponderance of power which enables a few large shareholders so to manage in joint stock corporations is prevented in the co-operative credit societies sometimes, as in the German institutions of this character, by forbidding any member to acquire more than one share, and in other cases by limiting each member to one vote whatever the number of his shares, while leaving the latter either without limitation or subject to a limitation more or less elastic. The limitation of each member to one vote is, of course, calculated to discourage any member from acquiring a much larger interest than his fellows in the capital stock, but it leaves him free to do so at his own risk, subject to the condition that he shall not thereby acquire any additional power over the affairs of the society. It thus leaves a greater latitude for subserving the convenience of the more thrifty members than exists where each member is restricted to one share, and at the same time makes it possible for the society to receive a considerable amount of capital which would be excluded by such a restriction. But, while more or less inequality in respect to the number of shares held may, perhaps, be advantageously allowed, and while it might even be safe to make no restriction whatever upon this point, the maintaining of equality between the members in respect to voting power may fairly be regarded as a requirement essential to the security of the co-operative principle. It is true that there are societies known as "co-operative" which do not observe this requirement, some allowing a vote for every share, like an ordinary joint stock association, and others adopting some compromise between that and the true co-operative plan; but the vital distinction between such societies and those which give one vote and no more to each member in good standing should never be overlooked by the small investor. The similarity in name arising from the use of the word "co-operative" by both should never be allowed to conceal this essential difference in their character. Any objection to the principle of equal voting power on the ground of alleged unfairness falls before the consideration that co-operative societies are primarily designed for people in poor or very moderate circumstances, and therefore, for people who in the main are in approximately equal conditions. If among such there are some who, by greater ability, industry, or self-denial than others, can save money more rapidly than they, these will the sooner advance beyond the stage for which the co-operative societies are more particularly designed and will readily find other channels for the investment of their accumulations; and it is much better that they should do so than that societies should lose their adaptation to the wants of the average masses through an effort to adapt them to the convenience of exceptional individuals. There are instances in which the entire membership of a co-operative society consists of comparatively well-to-do persons, and there is nothing to prevent such persons from organizing on the co-operative plan with shares to suit the length of their own purse; but if they prefer to have votes in proportion to the amounts they invest, there are always joint stock companies ready to admit them to membership.

'In addition to the three just mentioned, other points of adaptation to the wants and circumstances of the working classes will appear in the accounts of the several classes of societies given further on, including especially those conditions and methods of business which look to the security of the funds intrusted to the associations; and