

## APPENDIX No. 3

demand for credit. Yet, scarcely had Commendatore Luzzatti's *banche popolari* set up their tables on the same seemingly barren soil but business floated to them from all sides and they grew in a few years to most successful establishments.

'In Berlin, where the late Emperor William's money granted in 1865, on Prince Bismarck's urgent recommendation, to endow socialistic associations of the Lasalle type proved a hopeless waste, and where those philanthropic loan banks already referred to had to close their doors for want of business; and in Thuringia, where the banks supported by the various small Crowns accomplished very little, the credit associations established by Schulze-Delitzsch have found a most ready and favourable market.'

Further on, he adds:—

'From all these instances, and more which are on record—no doubt they might be matched in this country—it seems unmistakably evident that institutions like those now contemplated, formed to assist poor people with money which is to be well expended, and honestly repaid, must not, if they are to be of real benefit to the borrower, to promote useful outlay and thrift and honesty, come to him like little Providences from outside, with a strange face and a condescending air—Providences whose gifts cost him nothing, and, for aught that he is aware of, may cost no one else anything, and may be repeated *ad libitum*—but must be his own creation, raised up, as Commendatore Luzzatti, the founder of the *banche popolari*, puts it, "by a heroic levy on his daily wages." If he is to value the gift, he must be his own benefactor; if he is to deal scrupulously with it, he must be his guardian. The rich man's dole, coming as from a rich man, is held in comparatively slight estimation, as issuing from a full treasury in which it will not be missed. Hence those ruinous losses, by repeated default in the French philanthropic funds founded by the state, or the Emperor or the Empress.' (Page 26.)

'The Emperor Napoléon III tried his hand at such beneficent work. First he created a Caisse d'Epargne d'Escompte, endowed with a million of francs, of which he himself provided one-half, which was to advance funds more especially to productive co-operative associations. As it turned out, the rules had been so stringently drawn that no borrower could be found willing to comply with them, and the institution died without having done any good.' (Page 20.)

And Mr. Wolff concludes as follows:—

'There were no co-operative philanthropic lending banks in many places in Germany before Schulze-Delitzsch and Raiffeisen entered upon their benevolent career. The late Duke of Saxe-Coburg—the father-in-law of our Queen—more especially, had been careful to found some such in his dominions—at Gotha, at Ohrdruff, at Zelle, at Ruhla, and elsewhere. But nowhere did these capitalist establishments accomplish any real good.' (Page 21.)

## SURETIES FOR LOANS.

Apart from what has already been stated and from the valuable guarantee resulting from the local nature and working of these associations, there are other sureties to insure the loans, some of which should be mentioned here.

There is the watching-of the loan, that is the use made thereof by the borrower. In any other system of money lending this is no direct part of it. Once the lender is satisfied about the security given, he cares very little for the rest, private money lenders very often being even desirous to see the borrower squandering the funds raised by the loan in order to take hold of the property or goods or other value serving as guarantee.

In a co-operative association such a desire cannot exist, because it would be directly antagonistic to its very object and interest. Nobody could possibly hope to benefit by it, so measures are taken to watch closely the borrower in this respect. It was this feature that induced the Duke of Argyle to write: 'Your system of strict payments and watching the loan is admirable.' And this watching can be effectively done within the immediate reach of every interested member.