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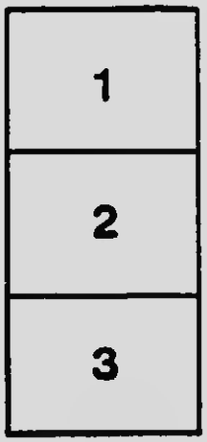

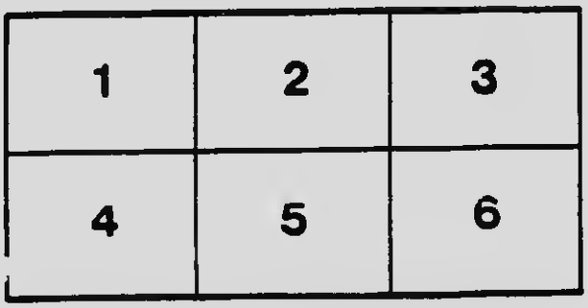

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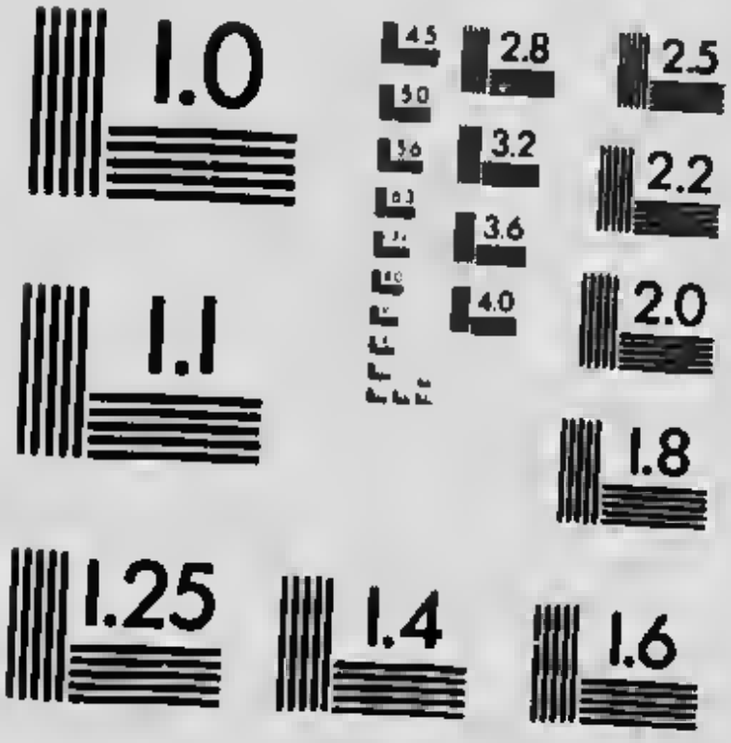

THE COOPERATIVE PEOPLE'S BANK

LA CAISSE POPULAIRE

by

ALPHONSE DESJARDINS

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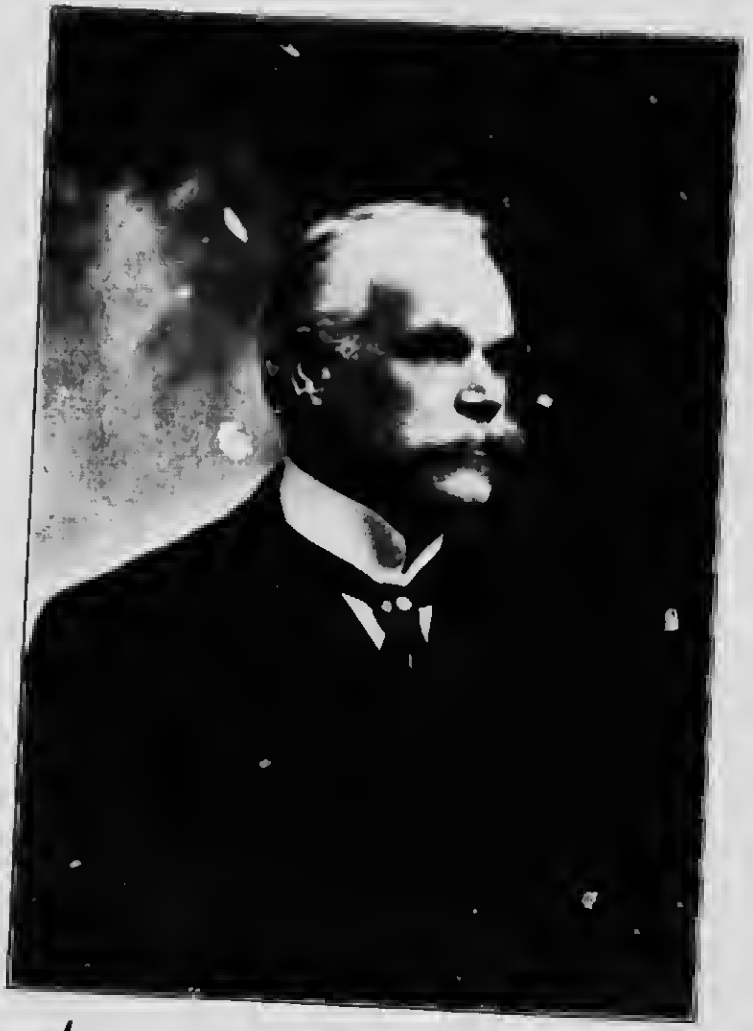

Alphonse Desjardins

THE
COOPERATIVE PEOPLE'S BANK
LA CAISSE POPULAIRE

by

AL' .ONSE DESJARDINS
Commandeur de L'Ordre de Saint Gregoire le Grand
Fondateur des Caisses Populaires
President et Gerant de La Caisse Populaire de Levis
Directeur General de L'Action Populaire Economique

Published by
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PREFACE

The growing interest in cooperative credit as a possible solution of the problem of financing the farmer and eliminating the evils of the small loan business in cities, intensified by the investigations of the American and United States Commissions abroad and the publication of the reports of their findings, prompts the Russell Sage Foundation, through its Division of Remedial Loans, to publish this brief statement of the operations of the Cooperative People's Banks of Canada, written by a Canadian who has been correctly termed "The founder of co-operative banking on the American continent."

To the efforts of M. Desjardins and Mr. Pierre Jay is due no small part of the interest now being manifested in the subject in the United States, for it was at the invitation of the latter while Bank Commissioner of Massachusetts that M. Desjardins visited that state in 1908 to explain to the legislative committee on banking the theory and practice of his Canadian system and to arouse public interest in this important agency for thrift and effective weapon against usury. As a result of the efforts of these two men Massachusetts enacted in 1909 a credit union law which has been used as a basis for legislation in New York, Texas, and Wisconsin. Under the Massachusetts law thirty-four credit unions have been organized and are now in successful operation in that state.

To avoid possible confusion it may be well to state that the Cooperative People's Banks of Canada, the People's Banks of Italy, the Cooperative Credit Associations of Germany and other European countries and the Credit Unions of the United States, while differing in many details (chiefly in respect to the liability of members), are essentially identical in that they are cooperative agencies which stimulate thrift and put at the disposal of the thrifty, for beneficial purposes, funds which they have accumulated and funds which through their combined credit they have obtained from other sources.

M. Alphonse Desjardins was born at Levis, Quebec, in November, 1854. After graduation from Levis College in 1870 he entered journalism. He continued in this profession for a number of years gradually becoming interested in the problem of usury because of frequent references to it in the press and on the floor of the Canadian Parliament. For twenty years he studied the cooperative credit associations of Europe, familiarizing himself with the history of their growth and corresponding frequently with Mr. Henry W. Wolff, M. Eugenè Rostand, M. Charles Rayneri and other leaders in this movement abroad. He studied the habits of the Canadian people, their surroundings, and their necessities, and evolved a new type of people's bank. Finally, in 1900, he called a few friends together at his home in Levis to discuss the advisability of organizing a credit union in that city. Three months after this meeting La Caisse Populaire de Levis was organized with a membership of ninety and a paid-in capital of twenty-eight dollars. Since that time M. Desjardins has been the manager and president of the Levis credit union, giving his services without remuneration.

M. Desjardins was the principal expert witness called in 1907 by the Canadian Parliamentary commission which made an exhaustive enquiry into the subject of cooperative credit.

Though he is an official of the Canadian House of Commons and a busy man, M. Desjardins has found time not only to watch over the Levis Bank hut also to deliver his message to communities in all parts of the Provinces of Quebec and Ontario, with the result that one hundred and fifty cooperative credit associations are now in successful operation. He has not yet succeeded in convincing Parliament of the necessity of enacting a Dominion law for cooperative enterprises, but last year the Pope conferred knighthood upon him, thus recognizing the immense value of his work, his self-sacrifice and energy in laboring for the common good.

Arthur H. Ham,
Director, Division of Remedial Loans,
Russell Sage Foundation.

THE COOPERATIVE PEOPLE'S BANK

LA CAISSE POPULAIRE

The keen observer of the phenomena of economics cannot fail to realize the important part credit plays in promoting and sustaining productive activities. Without its actual or potential support many of the greatest and most beneficent enterprises would never have been conceived, or, once conceived, would have become completely paralyzed.

While in a more humble sphere than that of the financier—namely among the working classes—credit has not so great an importance, yet the power to contract loans for legitimate and useful purposes is nevertheless necessary and such loans often prove extremely advantageous. The history of the early middle ages demonstrates this fact as clearly as do recent events. The founding in Italy in the middle of the 15th century of the associations called "Monts de Piété" which afterwards spread throughout central Europe, shows how great and how universal was this need.

Forcibly struck by the meagre borrowing resources of the poor and by the evils resulting from the practices of usurers—the only agents who gave credit to the working classes—a number of religious bodies, helped by benevolent citizens, set themselves to work out the problem. They succeeded in organizing charity upon a new ground. Bernadin de Feltre, a monk, distinguished himself above all in this field by his intense zeal for the well-being of the working classes as well as for the salvation of their souls. He founded many Monts de Piété and restored many others which were declining, giving them all a vigorous impetus, and his conquering and persuasive eloquence caused Christian charity to overflow to the great benefit of these popular institutions. One can assert, with Father Ludovic de Besse, that the Monts de Piété were but the forerunners of the improved savings agencies which today cover not only Europe, but all the civilized world, their universality being but a natural consequence of their highly beneficial character in satisfying needs which always exist and are often urgent.

But the Monts de Piété thus temporarily restored through the influence of Bernadin de Feltre soon declined again on account of the inherent weakness of the basis upon which they rested. With the charity of the faithful and the liberality of wealthy individuals as their only resources, these organizations could not reckon upon adequate funds with which to meet the demands made upon them. Thus the management was obliged later on to offer remuneration (in other words to pay interest) to those making deposits either temporarily or permanently. This measure was the first step towards the system of the savings bank as it exists today, but as we will see later they were performing only half their function, for while the Monts de Piété offered loans to the poor on personal property they made no provision to take the place of the traditional wool stocking.

The adoption of remuneration or payment of interest referred to above gave a new impetus to the Monts de Piété but did not assure them the stability hoped for because the essential features of the small savings system were not understood, and the kind of investment offered could be profitable only when funds of some magnitude were deposited. But these funds were soon attracted by activities promoted by the great movement of international trade which had resulted from the improvement of maritime transportation, and they gradually took other directions, leaving the Monts de Piété without resources except those provided by charity, now greatly lessened by indifference. No wonder that these institutions disappeared one by one, many of them being transformed into purely industrial loaning offices, thus losing the high character given them by the Christian spirit that had inspired their creation.

In studying these economic organisms of past centuries, one can see their defects while recognizing to the fullest extent the gratitude that their authors and restorers so well deserve. In taking up the problem of a credit system for the poor, social duty as well as personal conscience urges us to turn to account the knowledge that new methods and varied financial experiences put at our disposal. But let us not deceive ourselves; while correct business methods are essential, zeal for the public welfare—another manifestation of

charity and brotherly love—should today as formerly play a considerable rôle in these enterprises. The working classes have the same economic needs today as in the past, are the victims of the same selfishness and rapacity, but intensified by modern economic methods. It follows therefore that the necessity of protecting them is even greater than formerly, and that that protection should be afforded by institutions based on rules assuring their usefulness and their stability.

The evils of usury from which for generations the masses suffered have been far-reaching and almost universal. It is no wonder therefore that sociologists, philanthropists, economists, and ecclesiastical and civil authorities have thought it their bounden duty to try to lessen this burden. Even governments have taken a leading part in the struggle through enacting proper legislation or through giving support to those who were foremost in the movement. Without doubt the magnificent expansion of small savings institutions over the civilized world is largely due to the united action of all those social forces which have been bent upon removing the obstacles that have prevented the people from enjoying the whole benefit of their labor and thrift, and upon establishing a sure reservoir to which they might go in case of need, as the manufacturer or the merchant goes to his bank when he wishes to supplement his own funds with borrowed capital.

THE NECESSARY ASSOCIATION

The people's welfare can best be secured by institutions organized by the people themselves, because these institutions are most likely to possess the characteristics that appeal to the people and therefore the stability necessary to perpetuate their services.

Their beneficial influence will be still greater if, to a spirit of devotion, disinterestedness and Christian charity, is added the direct personal interest of the people themselves, interest purified, strengthened and made nobler by a thorough knowledge of their social duty. Resting on such a solid basis, as beneficial from the moral point of view as from the purely material, such an organization will have a reassuring strength

and cannot but command the attention of all thoughtful minds.

It must, of course, aim at a permanent result, in order that one success may secure another, thus avoiding that uncertainty which depletes the energies by the necessity of perpetually renewing efforts without the hope of attaining a definite end. To secure that desirable aim the organization should be worked out in surroundings and under circumstances which will properly support and fortify its activities, and put it in a position to overcome the obstacles that are certain to present themselves. Developing in a neighborhood which has its own traditions and a distinct existence, this economic organ would not fail to increase in vitality in consequence of constant contact with the life of the community which it serves. Growing with the growth of the neighborhood, the credit society would by its very association with it as well as by its benefits to it, finally complete the social life and raise it to a higher plane. Thus would the society be endeared to the hearts of the people.

IMPORTANT DEFECTS OF THE MONTS DE PIÉTÉ SYSTEM

The principles thus explained, let us now examine the defects of earlier systems and consider the means at hand of solving the problem of the financial needs of the working man. The Monts de Piété, as we have shown, were the first associations furnishing credit to the working classes. The system they adopted was not broad enough; for, on the one hand, charity alone was relied upon to bring funds to the institutions and, on the other, loans could be granted only upon the pledge of personal property, the value of which was supposed to be sufficient to insure reimbursement if the borrower would not or could not pay the sum borrowed. Although the service thus rendered was inadequate, the system entailed other privations such as the absence of household furniture, clothing, etc., pledged as a guarantee. Moreover, the sum thus loaned was much less than the real value of the pledges. One can therefore realize the loss that the borrower

had to meet if he was unable to repay the loan. The net result to him was a greater impoverishment. In spite of such defects the system was, however, a great improvement upon the methods of usurers.

Another factor of economic improvement was also neglected in this early credit system—that of savings systematically stimulated by a well devised organization. It is undeniable that this form of providence minimizes the evils of the life—always more or less precarious—of the laboring class, with its liability to accidents, to sickness, and to unemployment, and its many other drawbacks, which do not force themselves with the same intensity upon other classes of the community. The habit of saving can, as has since been demonstrated, lighten this heavy burden.

The ideal system would then be one which should offer a wide credit at the least cost, a credit available to all, while at the same time it appealed to all, in a constant and practical way, to lay aside for a rainy day; a system in short, which should put at the disposal of the working classes the funds accumulated by themselves through providence. Alas! long years were to elapse before the leading features of such a system were worked out.

A STEP FORWARD

In the early days when public attention was first attracted to the financial straits of the working classes, it was entirely concentrated upon the necessity of teaching them the habit of saving. Eminent philanthropists earnestly took up the question and organized savings clubs. These clubs were of a very rudimentary character, since they were simply a sort of association, wholly temporary, having as a basis the zeal of a devoted citizen who volunteered to receive the savings laid aside and put them in a safe place or kept them at the disposal of the depositors for urgent needs. Later, the success of those crude attempts induced their authors to enlarge their field of action. Thus were organized, notably in England and elsewhere, the first independent savings banks, which grew rapidly and acquired a strength that none

could have foreseen at the start. Unfortunately abuses of confidence caused losses, the more to be deplored because they were inflicted upon poor people unable to bear them without cruel privations. These happenings stirred public opinion to a very high degree and induced people to look for a remedy to such evils in a system of rigid state control. As in most reactions, the movement was violent and exaggerated. The need of the working classes for credit was forgotten and care was bestowed only upon the protection of their savings. Thus the working man in search of a loan was left to the mercy of the loan sharks. Moreover through an exaggerated paternalism, governments took possession of these funds, and utilized them to defray expenditures on public or large capitalistic enterprises. They thus deprived the people of the means whereby their resources could have been developed, their spirit of enterprise stimulated and their economic horizon enlarged.

GOVERNMENTAL SAVINGS BANKS

This insurmountable distrust of every utilization of savings except investment in large, carefully selected enterprises, or in loans to corporate bodies whose character resembled that of the state itself, deflected the savings of the people to the rich. Common sense should, it would seem, have induced the authorities to adopt an entirely different course. But instead of making an effort to dispel the timidity of the people everything done had the effect of increasing it. Instead of endeavoring to find out the best means of organizing institutions that could offer proper security and at the same time serve as reservoirs of credit for the working classes, the government, without the least hesitation, undertook the duties of universal banker. This mistake, full of peril from an economic point of view, soon produced unfortunate results, the evils of which were pointed out by economists. Already the governments that adopted this course have begun to suffer from the magnitude of the funds which they attracted and which the distrust that the masses felt for other guardianship brought into their coffers in ever increasing quantities.

In France, this evil reached such an extreme that the government was compelled, four or five years ago, to enact a law diminishing the maximum of individual deposits in its savings banks, and compelling its clients to withdraw sums aggregating more than four billions of francs. It was frightened by the responsibility that was being placed upon the state. And what is most remarkable is the fact that when these deposits were highest, French agricultural interests were deploring the lack of capital to secure their development and improve their methods.

However, it must be observed that this want of financial equilibrium in the utilization of savings funds is now calling forth the best attention of the very governments whose short-sighted policy so largely contributed to its existence. England, which inaugurated the policy of governmental banking through the organization of its postal savings banks, is endeavoring now to organize a regular system of credit for the benefit of its agricultural classes, and with this object in view has caused exhaustive inquiries to be made into the systems now so extensively adopted by the Continental countries of Europe. The results of those inquiries were a revelation to the English public and proved to be a complete confirmation of what Mr. Henry D. Wolff,* the eminent economist, has said upon the subject in his many informing, luminous books and pamphlets. The experiments made in continental Europe are the best possible evidence that the savings of the masses can and must be organized by and for their direct benefit, with a view to help them obtain adequate credit. Not only is it wise economically to put such funds at their disposal, but the system offers as great a security, if not a greater one, than that of any banking system known.

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*Some of Mr. Wolff's books on the subject are:

Agricultural Banks; their Object and their Work. 109 p. 1894.

Cooperation in Agriculture. (Chapter XII, Cooperative Credit, p. 2 1-273.) 378 p. Lond. King, 1912.

Cooperative Banking; its Principles and Practice, with a Chapter on Cooperative Mortgage-Credit. 301 p. Lond. King, 1907.

Cooperative Credit Bank Handbook. 74 p. Lond., King, 1907.

People's Banks; A Record of Social and Economic Success. Ed. 3, rev. and enl. 587 p. Lond. King, 1910.

THE SCHULZE-DELITZSCH AND RAIFFEISEN BANKS

Two German economists were the first to obtain a clear conception of the economic needs of the working and agricultural classes and of the best means of satisfying these needs. The names of Schulze and Raiffeisen* are inseparably attached to the history of the beneficent institutions they founded, and their memory is held in great respect through the German-speaking countries and other nations where institutions like theirs exist. These banks, under conditions of perfect security and availability to all, put at the disposal of depositors the funds accumulated by themselves, and since this security is based upon the principle of thrift and honesty, the material pledge is of secondary importance. In every case the good character of the borrower is the first security required. Thus the ideal solution of the financial straits of the laboring classes was found, for they can readily offer personal guarantees of the highest value, while they cannot always give material guarantees.

The first popular bank of the new type was organized in 1848, but the novelty of that institution, together with the absence of a law specially enacted for the working out of such a new mechanism, retarded its expansion. These obstacles once overcome, the banks soon acquired an extraordinary popularity. During the last 25 years they have spread not only in Germany but all over Continental Europe. Their marvelous expansion is the best evidence that they satisfy urgent needs. The solution of the economic problem of the popular classes was thus at last secured in an institution designed both to inculcate a spirit of thrift and to give credit.

THE CANADIAN PEOPLE'S BANKS

It is the very essence of this system which has been introduced in Canada—more particularly in the Province of Quebec—under the name of "People's Banks" (Caisses Populaires).

*Franz Hermann Schulze-Delitzsch, b. 1808 at Delitzsch, d. Apr. 29, 1883, at Potsdam. Friedrich Wilhelm Raiffeisen, b. Mar. 30, 1818, at Hamm, Westphalia. d. Mar. 11, 1888, at Herresdorff.—Ency. Brit.

Our social environment required us to make certain changes in the European system. In particular, a somewhat different basis was adopted in connection with the formation of the resources to be created, a basis designed to stimulate highly the spirit of thrift.

At the outset the limitation of the activities of a people's bank and the restricting of its membership to a small area was determined upon. This small territorial unit was chosen because by its very nature, except in large cities that are ports for immigrants, it is not liable to frequent and rapid changes of population, and also because—and this is an essential condition of success—it offers opportunity for members to become known to one another. They can therefore form sound judgments of the moral and economic stability of their fellows. This limited area may in rural districts be either that of the village or the township, or in cities that of a religious or fraternal organization, the municipal ward or the neighborhood. Such a unit offers the essential conditions of success. The intimate relation of parishioners or, under ordinary static conditions, of members of the same municipal district, provides the best means of acquiring a good knowledge of the character, honesty, integrity and moral habits of the members of the banks. This factor of success has proved its value in other countries, and although our communities differ much from those of Europe, still it applies to many groups in America. There is no reason why these elements of strength and of success should not be used here for the promotion of people's banks. But since a certain portion of our population is unstable, it goes without saying that great care and prudence should always be exercised in establishing a cooperative bank, especially in the granting of membership and credit to newcomers who may not be well known to their neighbors. That a certain percentage of people move from one locality to another and 10, 20, or even 30 per cent. of the population are more or less unknown to their neighbors, is however, no reason for depriving the stable portion of the population of the benefits of such a credit association.

WHO MAY BE A MEMBER OF THE BANK

Having determined the basic unit upon which such an institution should be built, let us now see who can and should be members of it. Everybody—that is, men, women, and children—should become members because they form part of the social order of the unit chosen. But there is an essential condition of admission that must be complied with; namely, that every one shall be honest, sober and industrious. The admission to membership in such a bank should be a certificate of good conduct and loyalty. This is certainly not a condition calculated to exclude a great portion of the population. Thank God it is only to the few that such a condition can be an obstacle, and even in such cases it is very easy to remove the obstacle by a happy return to a better life.

It will be observed that no mention has yet been made of money or funds, and that for a very good reason. Money is but a secondary consideration, and not, as elsewhere, a primary one, because the people's bank is above all an institution aiming at the betterment of its members rather than at mere profits—an association of honest individuals rather than one of mere funds like a joint-stock company. If money were the first consideration the institution would be deprived of its genuinely social character. Being above all a sort of manufactory where capital is turned out by the spirit of thrift, not a reservoir of funds already accumulated and looking for a good investment, this bank aims primarily to serve all the people, not those who look only for big returns on their investments.

Easy of access, it is an ideal institution in the restricted area in which it operates. By its family-like nature, so to speak, it cannot fail to invite everybody to put in his savings, accepting the pennies of the poor and not refusing the dollars of the well-to-do. By its loans it benefits not members alone, but the whole community. Funds for loans are provided by small shares payable in weekly or monthly instalments of a few cents each, and by small deposits. Through its workings it puts the savings of the people at the disposal of the people; it becomes a school of thrift which every one can attend, helping through the spirit of enterprise and through the virtue of providence.

It is this double character which caused Luzzatti, the illustrious founder of the Italian people's bank, to say that these institutions are "Perfected Savings Banks." From an economic point of view they are the triumphant success of an honest and industrious democracy. After half a century of experiments and deplorable mistakes the long-awaited popular institution has been evolved.

Surely it is not necessary to insist that the heads of families and young men should become members of such a bank; this is self-evident. But why should women, young girls, and especially children join?

When the Canadian wife is virtuous, reliable and thrifty—and thank God the great majority are so—she is generally the Minister of Finance of the family, and the same is true of many workingmen's families in the United States. It is to her that the good husband entrusts his wages; it is she who manages them with wisdom and prudence. Such a wife will always succeed in accumulating a small amount for a rainy day, to prevent suffering in time of unemployment, of sickness and other unforeseen occurrences. And if she is a member of the people's bank she will feel deeply interested in its success; she will also induce her husband to interest himself in it. This union of energy and good-will in the family should bring forth wonderful results of providence and thrift. The time is past when women, above all American women, were a negligible factor in the economic world.

Young girls should also feel interested in the welfare of such a bank. Most of them will probably later on be wives and so called upon to take up the functions and duties now the lot of their mothers. Can they be taught at too early a date? Must they not be educated in thrift as well as in any other line and shown how necessary it is to insure the material well-being of those that will be dear to them, and consequently to make possible for those dear ones a quiet life, secure against the privations and misery of poverty so often brought about by improvidence?

The children, too, should be members, because it is of the utmost importance for them to combat in their first years the instincts of dissipation and gluttony that develop so rapidly, alas, in our nature. So shall we form in these young people

the commendable habit of making sacrifices to overcome the regrettable practices of today. Moreover, such a course will insure to the bank a prosperous and long career by forming for later years very desirable members. These children of today will be the young men and young girls of tomorrow, future husbands and future wives of new households, and if in their early years they are well disciplined, later on they will be the very backbone of such local social institutions.

So much for the first element, membership. This is the first and most essential factor; without it there cannot be a real people's bank, but simply a society of dollars like many already in existence.

The second factor is the funds. Two sources bring them into the bank; the shares subscribed by members and the savings that they temporarily deposit. Let us examine successively these two sources of capital.

THE SHARES

Usually the value of the shares is $5 each; payable, as we have already said, in small instalments of a few cents each. These shares represent savings made for a distant need. They form a reserve, a small capital that everyone should gradually accumulate in order to be always ready for any emergency and not be obliged to face poverty or to ask charity from his neighbor. It is the small treasury placed far above the daily temptations of foolish expenditures, which, increased with perseverance, becomes a sum sufficient often to make one the owner of a property or of a home.

Must these shares be left forever in the bank? That is to say, can they never be withdrawn from it? No, such shares can always be withdrawn whenever their owners wish, even if there have been but a few cents paid in. They are at the entire disposal of the members, subject only to the requirement in the by-laws of a notice of 30 days—generally a legitimate safeguard in cases where a withdrawal of shares would involve a large amount. But the bank should always keep on hand against any emergency a sufficient amount to meet occasional and reasonable withdrawals.

This requirement of a notice is to meet extraordinary cases. During their existence of 60 years few of the people's banks in Europe have ever felt obliged to exact any notice. It goes without saying that the bank has the strongest possible reason to avoid exacting that notice, as it wishes to gain the confidence of all and to encourage subscription for new shares. It must also be remembered that the law empowers ordinary banks to compel depositors to give a three months' notice for ordinary withdrawals on deposits. Of course, banks very rarely exercise such a right, but nevertheless the law can be enforced at any time. The 30 day withdrawal notice of the shares of the cooperative banks is a much shorter period, but as the activities of such banks are confined to a very limited area, this is considered a perfectly safe one.

VARIABLE CAPITAL

Why have we chosen the type of variable capital (withdrawable shares) instead of the more stable one of permanent shares so widely known? We make the choice for two reasons. First, because of the personnel of these popular societies. Members are recruited almost exclusively from the working classes who cannot permanently isolate even the smallest part of their resources on account of possible wants. To have compelled members at the very outset to tie up even a few dollars of their savings, would have destroyed their good will and prevented them from joining. Such a requirement would have deprived these classes of the advantages it was sought to confer upon them. Second, from a common sense point of view non-withdrawable shares would have been a great mistake. Experience has demonstrated that the withdrawal feature has been the very basis of the phenomenal success of the savings banks and of the savings departments organized in our own banks of discount. If a non-withdrawable condition had been even temporarily imposed by these banks, the laboring and agricultural classes which have used them to the number of hundreds of thousands, nay millions, would never have put their savings in them in such large, ever-increasing amounts. If the soundness of this con-

tention should be contradicted, all doubt might be removed by instituting the non-withdrawable system and telling the depositors that in future they will not be allowed to have their money when they please; one would then see the effect upon the minds of the people. The members of cooperative banks must always enjoy full liberty to withdraw their laboriously accumulated savings whenever they like, whether from necessity or pure caprice. This is essential.

EFFECT OF THE WITHDRAWABLE FEATURE ON FUNDS

Does the withdrawable feature of the shares prevent a proper and profitable utilization of the funds?

By no means, and to be convinced of this one has only to remember what takes place in connection with the daily savigs deposited with and loaned by our chartered banks. They are withdrawable, yet this facility to which is due the marvelous increase of these deposits does not prevent the banks from loaning them out with a fixed date of repayment. These funds, almost entirely so loaned, bring to the banks large sums of money yearly, so that they are able to pay interest upon deposits and earn very considerable profits besides. If these methods serve the ordinary banks why should they not more readily serve a people's bank, the personal characters of whose members are known to the directors and whose activities are limited to the small area of a parish or municipality or to the ranks of a labor union. A close study during half a century of the movement of funds in savings banks shows that deposits, far from diminishing because they are withdrawable, increase year by year. Moreover, since the shares of members are money laid aside with a view to meeting distant needs, they are less likely than ordinary savings bank deposits to be suddenly or frequently withdrawn.

CONFIDENCE THE BASIS OF SECURITY

We have spoken of the honesty and thrift of the members. These qualities are the basis of security. Supervision

is direct and easy because members are inhabitants of the same locality. In a joint-stock company supervision is much more difficult; directors are entrusted with very considerable powers and shareholders are often spread all over the country, not knowing each other or having a personal knowledge of what is done.

In addition to the experience of cooperative banks on the European continent, a similar experiment nearer home, although carried on under conditions much less reassuring in certain respects, furnished us further security in adopting this new feature in the people's banks. The mutual savings banks of New England have no capital to guarantee depositors; that is to say, no shareholders are made responsible for deposits by putting up capital to insure reimbursement. The whole system is based upon the honesty and good faith of the organizers who, to the number of 20 at least, take upon themselves to carry on such a savings bank. These men have the exclusive right to select from their number the officers and the directors to be entrusted with the management of the funds deposited by the public. Management expenses being paid, all profits are handed to depositors, less a small percentage which is annually laid aside with the aim of forming a guarantee fund to protect depositors against loss. Such a fund must, however, when completed never exceed an amount equal to ten per cent. of the total average of the deposits, which is the maximum usually prescribed by law.

Organizers and directors are in no way personally or financially responsible for the deposits. It goes without saying that if found guilty of fraud or defalcation involving a loss, they would be amenable to and punished according to law.

This is the system under which are operated the 600 odd mutual savings banks of New England and other states. They have been in existence for more than 70 years. Should it be contended that the system is a weak one and that it would fail to inspire confidence in the public generally, we would call attention to the results. The number of those savings banks in 1911 was 635; the number of their depositors was 7,690,973, and the deposits totaled the huge sum of $3,458,883,612. Can there be better evidence of the confidence

of the public in such banks notwithstanding the apparent weakness of the system?

After careful study of the results of withdrawable and non-withdrawable capital, such an example appeared to us so conclusive that we thought we could safely follow it. As to the other leading principles underlying the people's banks, they are similar to those prevailing in the cooperative banks of Europe. Later on it will be shown that the system is still more strengthened by the accumulation of a guarantee fund belonging exclusively to the society; which fund, according to law, can never, even in case of liquidation of the society, be divided among the shareholders.

DEPOSITS

To come now to the savings branch, properly so-called. In the first place no one but members may deposit in a people's bank. Members may deposit sums which they expect sooner or later to withdraw. The purposes for which these small savings are often designed are current expenses, rent, wholesale provisions for the winter season, taxes, etc., together with the monthly contributions to the mutual benevolent societies to which many workingmen and agriculturists belong. Such savings also provide for occasional contingencies such as births, marriages, etc. Thus are members saved from appealing for credit to retailers and from the usurers' shops.

A man who does not follow the wise course of providing in advance for such expenditures often finds himself short of ready money, foolishly adopts a credit system and buys more than he really needs or more than his means justify. But the day comes when he must pay and then the amount due seems very high, and his uneasiness is great. It must also be observed that money is saved by buying for cash, for much more care is exercised when what is bought must be paid for on the spot. Under such circumstances buying is strictly limited to the amount of money on hand

Deposits are always withdrawable and if a withdrawal notice is prescribed by the by-laws, it is one of but a few days and only for the purpose of giving the bank time in special

cases. As has already been said, a sufficient sum can be kept on hand to meet ordinary demands, but generally the new deposits received are ample to fill the gap left by withdrawals.

MANAGEMENT

The funds being provided, who is to manage them? Officers freely chosen, by secret ballot if members so desire. These officers are selected at the general meeting of all the shareholders. Each shareholder has but one vote, no matter what the number of his shares. All are therefore on a footing of perfect equality, contrary to the system prevailing in stock companies, where stockholders have as many votes as they have shares. Let it never be forgotten that the cooperative people's bank is an association of persons, not of dollars, that the dominating factor is not capital, but persons. This is why each member has but one vote.

Management is entrusted to the officers but this does not imply that they have ahsolute authority to do as they please. On the contrary the general meeting composed of all the shareholders is the real and dominating power, the officers being only its servants subject to its constant and direct control. Their powers are very limited and if they exceed them they do it at their own risk, that is to say, they are then personally responsible for every violation of the members' mandates. These officers are divided into three committees; the Board of Administration composed of at least five numbers, but generally of nine; the Credit Committee of at least three members, but ordinarily of four; and the Board of Supervision of three members.

BOARD OF ADMINISTRATION

To the Board of Administration is given the general management of the bank. It is entrusted with the important duty of deciding what applicants may he members and of excluding those who no longer deserve to be, for here again let it be recalled that it is not money, but good character that

entitles one to membership. The Board must make recommendations to the general meeting upon all measures which in its best judgment seem to be necessary to insure the prosperity of the society. It acts also as a board of arbitration in cases of conflict and of appeals prescribed by the by-laws.

THE CREDIT COMMITTEE

The Credit Committee deals exclusively with loans to members. Its duties are delicate and important and the selection of its members must be made with care. Men possessing experience, prudence and generally well acquainted with the moral character of the members should be selected, for it is the moral character of the horrower that will be the prime guarantee of the faithful reimbursement of the sums borrowed. No loan can be made by the manager without having been first unanimously agreed upon by the Credit Committee. If one member present is opposed to a loan or does not give his consent to it, the decision is suspended until he has obtained all the information necessary to justify him in sharing the opinion of his colleagues. If such an unanimity cannot be established, the loan is refused.

The cooperative people's bank should loan money only for productive purposes as for emergency needs, never for a frivolous or extravagant purpose. Expenditures of this sort cannot benefit the borrower. The bank being organized not for the purpose of damaging its members, but of helping them to become more prosperous, should never agree to such loans. It is for this reason that the borrower is always compelled to tell the manager the object for which he seeks a loan. If he deceives the society this is sufficient to cause his immediate expulsion as a member.

The Credit Committee supervises with great care the repayment of loans and must always stimulate the manager to compel payment of any arrears. It should never allow a borrower to be in default in his payments, even for one day, without satisfactorily explaining why he has not been strictly faithful to his engagements. This is an important point, for to permit such bad habits to take root among borrowers

would be a grave mistake and would imperil the interests of the bank, apart from being a great wrong to the borrower himself. Indeed it would be an invitation to him not only to be careless in such matters, which is always deplorable, but to spend extravagantly the money that should be used to discharge his obligation, relying on being able to come to an easy settlement with a bank which has shown undue leniency to those in debt to it. The greatest care should be taken to avoid giving so unfortunate an impression. Moreover, the payment of the loan if deferred might fall due at a date when it would be very difficult for the borrower to pay it, on account of some unforeseen circumstance. Such negligence is also liable to embarrass the business of the bank. Funds not being very abundant and the demand for loans numerous, it follows that the Credit Committee will have to rely upon a rigid regularity in reimbursement—unless proper notice is given—to satisfy the loans asked for. Loans should be granted to the greatest possible number of members. This is one of the objects of the society, and can be accomplished only through punctuality based upon a well-regulated system of maturity of notes, the instalment plan being always more advantageous to society and to borrower alike. On the other hand the borrower always should be able to rely upon the good-will and even the kindness of the bank as represented by the Credit Committee and the manager. If he is unable to pay his loan when due, the bank should never be harsh or unreasonable with him; circumstances may arise under which it is absolutely impossible to fulfil one's obligations, however willing one may be. It must be borne in mind that the bank never loans money to a non-member however good may be the security offered or the reasons given.

Reimbursements should as far as possible be divided into 5, 10, or 20 instalments. This facilitates repayment and insures a constant flow of funds to the bank, but the borrower has always the right to repay his loan before maturity, unless the contrary is clearly stipulated.

Members of the Credit Committee cannot borrow from the bank, either directly or indirectly; that is to say, through a third party. This provision may result in inconvenience to them, but such a rule is a great safeguard. To loan to

oneself other people's money is always a serious matter. It is so easy to exaggerate one's own solvency. Hence, members of the Credit Committee are strictly forbidden to borrow from the bank while in office. Law as well as prudence so prescribes.

BOARD OF SUPERVISION

This Board, whose very name shows the nature of its duties, is the most important one in a cooperative people's bank. Its powers are large with regard to the supervision of the business. It may even temporarily suspend the officers if it finds them guilty of some violation of the by-laws, but it must immediately put all the facts before the general meeting which it must call with the least possible delay, leaving to that meeting decision upon measures to be adopted. It must examine the accounts, verify minutely the exact value of each loan and see that the security offered is sound and good. It must see that each committee and each officer does his duty without favor or partiality. As a matter of fact, such a board is to all intents and purposes the general meeting sitting in permanence, and having its eyes upon each and every one of the officers. Great care therefore must be exercised in the selection of this board.

THE MANAGER AND OTHER OFFICERS

The internal management of the society is entrusted to a manager, chosen by the Board of Administration. He acts as bookkeeper and receives all the funds. To insure the faithful fulfilment of his duties he must give surety to a reasonable amount. Every request for a loan should be sent to the manager. A borrower must never talk to a member of the Credit Committee about a loan. Such a custom, if permitted to grow up, raises serious difficulties and puts the members of the committee in a delicate position. The manager is the only channel of communication between members and the officers and committees of the society.

The manager is therefore a very important official, and care must be taken to select one who is competent, courteous,

amiable and always ready to be helpful, hut rigid in the strict observance of the hy-laws, even to the smallest detail. He must not allow any departure from the rules, for such departures become in the end a source of regrettable abuse and may hring about the failure of the best societies. If he has to point out abuses or negligence in the observance of rules, he must do so without hesitation, but should temper his criticism with courtesy and good will, qualities which do not exclude firmness. He must also have a general knowledge of the character and status of members, be acquainted with their reputation and their solvency. It is not as difficult as one might suppose to find men who possess all these qualities. Many possess them without knowing it.

Money on hand should he deposited to the credit of the society in one or several chartered banks, selected by the Board of Administration. The manager should only keep on hand a small sum to meet daily requirements. That the sum should be small is in his own interest, since he is personally responsible for all such sums.

The services of all the officers of a cooperative people's bank save those of the manager are gratuitous; the law and social zeal require that this be so. The manager alone may be compensated for his work, and his salary should be in proportion to his duties. If they be light he should receive hut little; if heavy, his remuneration should be higher, for the bank doing a larger business and therefore receiving more profits will be able to give to him a larger sum without inconvenience.

DUTIES OF THE OFFICERS

A word now about the general duties of the officers. The president exercises a general supervision over the business of the bank and sees that every one performs the duties pertaining to his office. The vice-president assists the president in the discharge of his duties and, in case the latter is absent or incapacitated, takes his place.

The secretary edits the minutes of the meetings of the members and of the committees and carries on the correspondence of the society. The office of manager may be

filled by any one of the three officers just named or by another member. Usually the secretary is chosen as manager.

DIVIDEND

At the end of the year after all expenses, losses (if any) and interest upon deposits have been paid, the balance—net profits—is appropriated first to the accumulation of a special fund belonging to the society as a whole. This fund is divided into three distinct parts called respectively "reserve fund," "provident fund" and, if it is thought advisable because there is still a balance left, a "surplus fund." For the two first funds a fixed percentage of net profits is taken each year. The balance left after these fixed percentages have been taken is divided in the shape of a bonus or dividend among the shareholders, in proportion to the amount of shares paid in full and to the time during which such shares have been paid in full during the last fiscal year. This appropriation of the gross profits is, of course, made when the year is closed and all the accounts have been rendered. Up to now no cooperative bank in Canada has paid a dividend on its shares of less than four per cent., and many have paid four and a half and even five per cent. Savings deposits are allowed the customary yearly interest of three per cent.

THE RESERVE FUND

We now come to a very important point—the reserve fund. A cooperative people's bank is compelled by law to lay aside yearly at least ten per cent. of its net profits. This percentage must be allowed to accumulate year by year until the total amount reaches a sum equal to double the maximum of the liabilities represented at any time by the shares and deposits of members. But it is wise, especially in the beginning, to lay aside more than ten per cent., even if possible to double that percentage, so that the reserve fund may increase rapidly and reach during the first years an amount of some relative importance. To prevent the temptation to distribute the reserve fund, the law prescribes that in case of

liquidation, even voluntary, the balance of the assets, including the reserve fund, shall not be distributable to the shareholders but shall be given to an object of public utility to be designated by the Lieutenant Governor in Council. This proviso is a very wise one, for it would be unfair that a group of individuals should have the right, at a given moment, to appropriate the results of the providence of their predecessors who had accumulated this surplus with the primary object of insuring the permanency of their society to the benefit of future generations.

The purpose of these funds is: first, to protect shares and savings against all possible loss; also to strengthen a system which is based upon a variable capital. These funds are never to be drawn upon except in cases provided by the by-laws and, as has been said, never to be distributed under any pretext whatsoever. Neither are they to be kept idle, but are to be invested in sound enterprises or deposited in banks* and so made to produce a revenue. Their existence, aside from the advantages already indicated, will benefit depositors by increasing the total sum of the net profits to be distributed upon shares and will benefit borrowers by reducing the rate of interest upon loans. Thus, the cooperative character of the bank is kept well in view.†

Borrowers as well as lenders are an indispensable factor to the progress and solidity of the bank. Were there no borrowers, there would be no profits; were there no members to put in their savings, there would be no funds to be loaned out. Moreover, the member who puts in savings today may be a borrower tomorrow. The two groups continually vary so far as individuals are concerned, but the simultaneous existence of both is absolutely necessary. They are of equal importance to the success of the bank and are treated with equal justice in the division of the net profits, giving to one a higher dividend and to the other reducing the rate of interest on loans. Therefore, whenever the dividend is increased, conditions for the borrowers must be bettered either through a reduction of the rate of interest or otherwise. Hence the ne-

*Also loaned to public bodies and invested in government debentures.
†The average rate of interest charged by the Canadian cooperative banks is about 6% per annum—Ed.

cessity of acting with great prudence when increasing the dividend and reducing the rate of interest on loans, in order not to imperil the future income of the bank, and to necessitate return to a lower dividend and a higher rate of interest on loans.

This is the cooperative principle upon which such credit and savings societies are worked out. True, the principle is a new one in banking matters, but it is the very expression of equity and solidarity. It must not be forgotten also that even the borrowers benefit by the increased dividend, because they too are owners of shares. The general reserve fund will largely contribute to insure the permanent existence of the bank because future generations that inhabit the parish or locality will desire, from the same motives that influenced their fathers, to maintain it in its integrity. Through it therefore the parochial or municipal unit will come to stand not only for a religious or political unit but also for an economic one; bettered materially, intensified in its sense of fellowship and more fruitful because it will enjoy a better social organization.

Without giving to this new factor of mutual financial relationship an exaggerated importance, we believe that it contains the germ of a happy evolution for agricultural communities. Here lies one of the encouragements to the "back to the land" movement; a new inducement to abandon the false attractions of city life.

THE COOPERATIVE BANK A NATIONAL BENEFIT

Whatever may be the immediate or far distant, the probable or unforeseen consequences of the full development of these organisms, the nation can through them accumulate for the benefits of its citizens a treasury that will never be despoiled. It can build a true economic fortress upon the parochial or municipal unity which will give our young democracy the help required to develop its energies, widen its activities, render fruitful its initiatives, and coordinate its existence.

Relying upon the possession of a capital protected against the cupidity of individual egoism which will automatically increase through the very fact of its existence, we will be able

to increase our national wealth in a much greater ratio than heretofore, as well as the prestige that attaches to wealth. This will help us to protect all that is dear to us and to extend the domain of our legitimate influence.

To make these economic units more secure, to perpetuate their existence by the accumulation of a capital never to be divided among the members, and as a natural consequence to extend our national influence—this in the last analysis was our aim and desire in giving to these people's banks so strong a local organization. By the mobilization of the individual funds we hoped to secure the cooperation of every one of good-will, however humble; and by the creation of a reserve fund to insure the stability of the bank itself.

Such then was our ideal, an ideal which should sustain these banks, apparently financially weak, and make them capable of great beneficial service.

A RECAPITULATION AND A SURVEY

Let us now summarize in a few words what has already been demonstrated throughout the study. A cooperative people's bank is not an ordinary financial concern, seeking to enrich its members at the expense of the general public. Neither is it a loan company seeking to make profit at the expense of unfortunates who need loans, laboring men suffering from unemployment, agriculturists suffering from drought or floods—a company having no mercy for its victims and not hesitating to impoverish them to the extreme limit. The people's bank is nothing of the kind; it is the expression in the field of economics of a true Christian spirit and high social ideal. It is based upon the high conception, wholly just, equitable and fruitful, of "union for life" instead of "struggle for life." It does not look for big profits, although the future may have in store surprises of a very agreeable character, as has happened in Europe where, thanks to the wise measures taken at the start, yearly dividends reach today proportions that no one would have dreamed of when these banks were organized.

It is open to all, provided that each is honest, industrious, sober, and lives up scrupulously to his engagements. Money

alone cannot entitle one to become a member. Dollars count only after honesty; they cannot replace this quality. In the joint-stock company honesty is never thought of as necessary to membership because such a company is a mere aggregation of funds.

The area within which it operates is limited to the boundaries of a parish or a rural municipality, a labor union, a ward or a religious congregation in a large city. Its business is supervised by the interested persons themselves, and supervision is facilitated by the restricted field in which the bank is doing business.

Is it any wonder that banks of this character should have spread with wonderful rapidity throughout the world until there are today about 65,000 such banks in operation, all prosperous, and their membership as well as their number increasing month by month?

While Europe is at the head of the movement, even Asia has awakened and in Japan alone at least 5,000 such banks have been organized within the last few years. America alone seems to have ignored the idea, but a vigorous movement is now started and before many years one may hope to see great achievement here.

The yearly turnover of these banks in the old world has reached a stupendous figure. Although incomplete, the record for 1910 showed that the turnover amounted to $5,900,000,000. No doubt the figure today has reached a total of at least $7,000,000,000.

What is most striking is not the financial power of the units taken separately, except that of certain banks in Italy, —for almost none has reached any remarkable sum—hut the collective strength of these units taken together and their rapid multiplication. The great masses of capital accumulated by the popular classes and managed by themselves, through their freely chosen officers. are everywhere helping the spirit of enterprise and providing for the daily needs of these very classes.

LA CAISSE POPULAIRE DE LEVIS

It was the deplorable revelations brought about by law suits in Montreal and elsewhere, where poor borrowers had been obliged to pay to infamous usurers rates of interest amounting to several hundred per cent. for most insignificant loans, that induced the writer to study carefully this problem with a view to finding out the best possible solution. The experience offered, above all by Germany, soon enlightened him.

After 15 long years of constant study, at last believing that he had acquired the necessary theoretical knowledge and being induced to do so by many of the leaders of the movement in Europe, he undertook the establishment of this new system. Aided by the devoted zeal of a certain number of citizens—the parish priest and several members of the Catholic clergy of the locality—he succeeded in founding in Levis, Canada, the first bank of this type ever organized on this continent.

From the exalted ideal of the theory, pure and simple, the next step was the practical working of the system. It was the only way to convince obstinate as well as timid opponents that the theory upon which it was based was a sound one, however hazardous it might at first appear.

The Levis Cooperative People's Bank was organized on December 6, 1900, but for one reason or another it did not begin its business until January 23, 1901. This delay had one good result: it showed that the zealous members of the first hour possessed as enduring a conviction as the founder himself.

The first money received confirmed the modest hope of the organizer. The first instalment paid was a dime and the total of the first collection amounted to only $26. It must be admitted that so insignificant a result of all the hard work of propaganda was of a nature to discourage rather than to make one hopeful of great future achievements; to feel confident of bringing about something like a revolution by the new system seemed absurd. Indeed, there was no lack of prophets to foretell a complete fiasco. The founder was freely criticised and was even the object of assertions of the most offensive character. But supported by devoted sympa-

thizers, he continued his work of propaganda with even greater energy, and today the highest civil, social and ecclesiastical authorities publicly support this movement in Canada.

The progress of the Levis Bank was very slow compared with that of societies organized since. The first collection, as has been said, brought but $26.40, and the first financial monthly statement showed total assets of $242.80. The following month this total was but $497.20. The first six months gave a total of $1,715.63. The assets of the first fiscal year were $4,935.54, and only after two full years did they reach $15,513.86 and the general turnover amount to $31,116.42.

We give these figures to prove how slow was the development of this first bank and to show that it had no wealth to rely upon and does not owe its present success to outside help from moneyed men, but that it contained a powerful germ that needed only to be fertilized by perseverance and steady purpose.

The Levis People's Bank completed its twelfth full year November 30, 1912. On that date the general assets amounted to $188,306.33. The amount of current loans was $179,103, and gross profits had reached $8,593.16. It has already paid to its members in the shape of dividends the sum of $17,759.50, the rate being now 5% on $5 shares. The savings deposits have received interest to the amount of $4,334.49. The total amount loaned out to members was, on the same date, $971,761.94. Not one cent has yet been lost, although the total number of loans on November 30, 1912 was 5,670, three-fourths of these having been small loans not exceeding $200.*

Such is the astonishing progress that has been accomplished during 12 years of persevering labor among a laboring population, often unemployed, and during a period when the high cost of living has imposed a heavy burden upon the very modest budget of a working man's family! Nevertheless, 12 years are almost nothing in a career which should last forever.

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*On June 30, 1914 the total assets were $304,985. On that date the Levis bank had made 7,208 loans amounting to $1,396,916. The same proportion of small loans had been preserved.

In order to show more clearly the popular character of these hanks, let us consider the amount of the great majority of the loans on the Levis bank. Here are the principal figures:

Loans of less than $10.	660
" " $10. up to 25.	1004
" " 25. " " 50.	1070
" " 50. " " 75.	541
" " 75. " " 100.	651
	3926

Out of a grand total of 5670 there have been 3926 loans made for sums varying hetween $1 and $100. These figures show that this institution is truly the bank of the people. And what lessons in thrift it has taught! He who appreciates the value of a penny is faithful to his ohligations and never fails to pay what he owes. The spendthrifts, those who profess that the penny is not worth laying aside, are the very persons who never pay their debts and who are always hard-up. But they never fail to attend all the pleasure trips, theatricals or other amusements where the dollars must be spent. And the same individuals will complain in the loudest terms if they are refused credit or a loan. Unwilling to make the least sacrifice, they look for others to make the sacrifice in order to compensate their improvidence and caprice, if not their vice and debauchery.

What a comforting sight it is to see an honest workingman, or a settler coming to honor his signature! During the last 12 years, we have had numerous opportunities to enjoy that spectacle, and it has been the complete fulfilment of our dream of basing credit on the merit of the man himself. Up to now there has been no organization capable of appreciating the very qualities which justify confidence. Thank God, such is no longer the case. These men have been proud to show that they understood their responsibility as well as do the manufacturer and the merchant who are the clients of the big banks.

THE OTHER BANKS—FACTS AND FIGURES

We have dwelt more upon the results of the Levis Bank than we shall upon those of others, because the Levis experiment is the oldest and was founded in order to convince us that such a bank could be worked out successfully in Canada. With the utmost care we watched this pioneer bank in its different stages, strengthening or rejecting points that might be inferior or faulty. It required eight years of excellent results to dispel in our mind every vestige of hesitation, timidity or uneasiness for the future. It may be that we indulged in too many precautions, that we overdid the experiment, but this should not be a subject of blame but rather of commendation, since those precautions show that we did not allow ourselves to be carried away by the attractions of a new system, but that we acted with even an exaggerated prudence and wisdom. This explains also why the expansion of cooperative banks outside of Levis was begun only four years ago. We wished to complete the experiment before spreading any knowledge of it. So during eight long years and more we steadily refused every invitation to organize them elsewhere, with the exception of two cases, where, on account of the proximity of the localities, we could supervise personally the working of the banks.*

There are now over 150 cooperative banks in Canada—not one of which has yet lost a penny. Obviously, to give the history of each would take too long. We will therefore speak only of those that typify distinct groups because of the peculiar character of the locality and the special calling of the majority of the population. These are (1) banks in urban centers with a laboring population; (2) banks in rural agricultural centers; (3) those in mining districts; and (4) banks among settlers.

1. Urban and Laboring Districts.

Levis as an urban district has already been quoted. Let us now take Quebec and Montreal. The cooperative bank

*There is no Dominion law in Canada for cooperative banks. Quebec has enacted a provincial statute recommended by M. Desjardins but outside of this province cooperative banks must be formed as voluntary associations.—Ed.

of St. Sauveur, a suburb of Quebec, was founded in January, 1909. On November 30, 1912, it had $24,802.21 in assets and a general turnover of $57,334 for less than three years.

The Quebec-East People's Bank, in another suburb of Quebec, was organized in August, 1910, and on January 31, 1913, after 30 months of existence, it had assets of $12,893.19 and a general turnover of $32,163.32, with loans to the amount of $21,780.69. It had 350 members, 136 depositors and 91 borrowers. The penny savings system organized for the benefit of the school children had in a few months collected $207.79.

The oldest people's bank in Montreal was established in the parish of the Immaculate Conception, January 31, 1909. At the end of January, 1913, its assets amounted to $20,867.45 and its general turnover to $111,272.00.

In the parish of St. Joseph a bank was started April 7, 1912, and 23 days later its assets amounted to $1,807; on December 31, 1912, they had increased to $3,552.01, and the general turnover was $6,415.41.

In the parish of St. Stanislas a bank was organized on May 12, 1912, and its progress has been even more considerable, taking into consideration the time and circumstances. On Dec. 31, 1912, seven and a half months after its organization, total assets had reached $5,227.74, with a general turnover of $12,110.71.

Three Rivers is a small manufacturing city of about 18,000. Its cooperative bank was organized October 17, 1909, and on January 31, 1913, its assets amounted to over $43,280; its general turnover to $104,959.70; its loans to $49,794.40; deposits received, $64,266.34; deposits withdrawn, $43,101.68. It had paid for interest on deposits $306.69; for dividends on shares, $615.86; for all expenses, only $135.81. The last item is indeed very small compared with the general business done of $104,959.70. Its guarantee fund is already close to $600.

There are also localities outside the large cities or towns where workingmen are in the majority. These are to be found in rural districts where a considerable number of families are living out of their labor in the woods; for example, or in some small local industry. These small centers present a variety by themselves and have to a certain extent

the character of an urban district. In such localities people's banks are prosperous and render great service to the laboring men.

Matane, in the country of Rimouski, has a people's bank opened on August 20, 1911; in 18 months the total turnover reached $11,302.80. The assets on the 28th of February, 1913, were $4,760.26.

St. Joseph of Levis, including the small town of Lauzon, has a population composed mostly of workingmen. Its co-operative bank was organized in 1901. On January 31, 1913, assets amounted to $9,140.96; the general turnover, to $64,630.31; loans to members to $33,293.13. $778 had been distributed in interest and dividends. The guarantee fund stood at $705.16.

The Windsor Mills People's Bank during eight months—from October 1, 1911, to May 21, 1912—had done business amounting to $2,340, of which $1,457 was for small loans.

The People's Bank of Ste. Anne, in the city of Ottawa, was organized on April 1, 1912, and on January 1, 1913, the assets were $5,415.51, and the general turnover for the nine months had reached $10,355.97.

Let us see how such a bank works among a population employed almost entirely in a great cotton mill, the "Montmorency Falls Cotton Mill." The parishes of St. Gregoire and St. Louis de Courville are largely populated by workingmen who find their living in that industry. Each of them has its parish bank. That of St. Gregoire has assets amounting to $7,000, and the current loans exceed $5,000. The general turnover has reached $35,000. St. Louis de Courville has had its parish bank only since April 29, 1912; the assets exceed $11,000; the general turnover, $13,191; loans, $6,680.

2. Agricultural Districts

Let us now see what has been done in purely farming districts among that class of people which up to now has been without economic organization, the victim of the cupidity of the middlemen and the trusts. This deplorable state of affairs has been one of the most active agencies in the movement from the farms to the cities. If it continues we

may perhaps in Canada see a situation like that deplored by Réné Bazin, who, writing of his native land, exclaimed: "The farms are deserted and dying!"

It is of the highest importance that the farmers should be organized as are other classes of the community, and the first step toward this end is an institution that will afford these tillers of the soil the capital they need to improve their industry. They should not be frightened at an innovation by those so-called wise men who exaggerate prudence and who, as a matter of fact, are the victims of their own intellectual deformity or of a deplorable professional prejudice which causes them to look at any new step with fear or bias. Obviously, wisdom is necessary, but audacity coupled with thoughtfulness and prudence is also the key to progress. These men always want to see "how the enterprise will turn out" before taking part in any movement even if it has sustained the test of experience. We have met a good many of these unfortunate human beings who are always behind the rest of the population but who believe themselves to be leaders.

As a whole our countrymen are in sympathy with progress based upon wisdom and do not, thank God, fear to take upon themselves the responsibility that it involves. That our rural population is endowed with intelligence is apparent by the number of cooperative banks which are now working with great success among industrious and honest farmers.

St. Ulric in the County of Rimouski, situated along the shores of the St. Lawrence, is a parish having a population of about 1,600, all farmers. A cooperative bank was organized on September 26, 1909, and in 37 months it had accumulated assets of $24,460.38 and its general business had reached the rather startling figure of $116,817.86, of which there have been loans amounting to $73,530.05. Not a cent has been lost on those loans. The dividends paid amounted to $632, and interest on deposits to $562. The reserve or guarantee fund stands at $664, representing almost 10% of the share capital paid in.

Armagh, in the County of Bellechasse, has a population of about 1,400, all farmers. The bank there was organized on February 13, 1910, and on December 31, 1912, after a lapse

of 34 months, the assets amounted to $27,138.23 and the turnover, the enormous figure of $356,686.03; the loans, $37,643.58. The dividends paid on shares amount to $400.68; the interest on deposits to $533.79, while the guarantee fund stands at $701.82, or more than 12% of the amount paid in upon shares. To give an idea how small is the cost of management, it will be sufficient to state that the whole expenses incurred were but $173.49 for Armagh and for St. Ulric, $168.27.*

The parish bank of St. Maurice of Champlain, an exclusively rural parish, was founded August 1, 1909. Its assets on November 30, 1912, were over $54,000 and its general turnover for the period of 39 months had reached the enormous sum of $424,000 in round figures, although the population of the whole parish does not exceed 1,000.

Maria, in the county of Bonaventure, is a small parish situated on the shores of the Bay des Chaleurs, near the Gulf of St. Lawrence. Its population is about 800. The majority are farmers, but a good number of families are still living on what was the only industry in that place in years gone by—fishery. The cooperative bank was organized there on September 13, 1908, and on November 30, 1912, the assets were $20,485.06, and the general business done in those four years had reached the amount of $49,294.36, of which $29,625.91 had been for loans. Interest paid on deposits amounted to $468.51; dividends on shares to $334.48; and the total expense for the four years to $530.67. It must be stated here that the population is poor and it is a wonder to every one who knows the locality that such splendid results could have been achieved in so short a period.

Let us now take up still smaller parishes, where, fortunately, energetic and enterprising citizens are to be found, and we will see still better results considering the number of people.

St. Jean des Piles with a population of 800, part of whom are laboring men and the rest very small farmers, is situated in a rather poor agricultural country at the foot of the Laurentian Mountains in the district of Three Rivers, half

*By way of illustrating the continuous and rapid growth of these banks, especially in farming communities, the report of the Armagh bank on May 31, 1914, is given: Assets, $79,749; general turnover, $568,653; loans, $123,060; dividends paid, $1,209; interest paid on deposits, $1,930; guarantee fund, $1,673. While all of these items showed a large increase, expenses increased to only $225, an increase of barely $52.

way between Montreal and Quebec. Its cooperative bank was organized on August 22, 1910, and on September 30, 1912, in 25 months, it had accumulated assets of $11,972.60, and its general turnover amounted to $60,378.49; loans, $36,236.77; interest paid on deposits, $308.86; dividends on shares, $172.42; guarantee fund, $354.77; savings deposits, $30,551.56; withdrawals, $21,683.64. The total expenses were $224.30.

The total number of loans was at that date, 459, divided into very small sums: i. e., loans of $10 and less, 44; from $10 to $20, 76; from $20 to $30, 86; from $30 to $40, 48; from $40 to $50, 40; from $50 to $60, 20; from $60 to $75, 24; from $75 to $100, 30; from $100 to $150, 37; from $150 to $200, 20; from $200 to $300, 19; from $300 to $500, 12; and from $500 upward, 2. There has even been a loan of $1,000, making a grand total of $36,236.77.

St. Joseph, situated to the extreme west of the Province of Quebec; in fact, the last parish on the west, is mainly inhabited by poor settlers. The total population is about 1,400, out of which there are 500 to 600 Indians. The parish bank was organized on October 22, 1911, and on January 31, 1913, the assets were $8,225.94; the general turnover, $34,829.91; total loans, $16,805.77; savings deposits, $23,240.55; withdrawals, $16,964.11; interest paid on deposits, $102.96; dividends, $23.80; general expenses, $45.00; guarantee fund, $51.42.

St. Onesime of Kamouraska is a very small parish inhabited mostly by farmers and settlers who have to work in the shanties of the lumbermen part of the year to supplement their poor agricultural earnings. When we were invited to organize a bank there the priest asked us if his parish was not too small for such a venture. We answered no, and went there to organize the bank in May, 1912. On December 31, 1912, the assets were $2,913.80; savings deposits, $3,322.51; the general turnover had been $3,938.29, the amount loaned out, $571; withdrawals, $975.99.

For a number of the above-mentioned parish banks we have given the amounts of savings deposits received and withdrawn, but we could have noted the same facts for every one of the 150 now in operation, as they all carry on the savings business with equal success. For instance, the Levis

Cooperative People's Bank up to January 31, 1913, had received savings deposits amounting to $549,699.34 and had reimbursed $493,490.57, leaving on that date a balance of $56,208.77.

3. Mining Centers

Perhaps the worst ground to be chosen on account of the shifting character of the population is a mining center. In spite of this great difficulty, however, the cooperative bank has succeeded here better than one could expect.

Thetford Mines is known all over Canada as the greatest asbestos mining center on the continent. The population of about 7,000 works in the mines. The people's bank was organized about four years ago; its assets are over $30,000 and its general turnover exceeds $100,000.

Black Lake is another small mining town, situated three miles from Thetford Mines. Its bank was organized four years ago. Without so considerable a showing as the Thetford Mines bank, it is nevertheless proud to point to its general turnover of $12,000, and to its numerous small loans granted to miners amounting in all to $9,143.82.

4. Banks Among Settlers

We now come to the last group of people served by cooperative banks and from our standpoint it is the one which more than any other deserves attention. The value of the tree is to be judged by the excellence of its fruit and what we are going to relate should induce one to think of the future possibilities that are in store for the colonization of the immense territory yet to be settled in Canada.

On November 2, 1910, at the invitation of the parish priest of St. Damase of Matane who wished to organize a cooperative bank in his parish, we had the pleasure of visiting that locality, mainly inhabited by poor but courageous settlers. The population consisted then of about 700 souls. As elsewhere in Canada, the settlers of St. Damase are industrious, honest, and full of that energy which is needed to conquer and settle new land. But settlers are generally very poor, and

we confess that we were not very hopeful about the success of a cooperative bank among them.

From the start, however, members were eager to join. But our apprehension persisted for some time, for we could not believe that the enthusiasm shown at first would continue. It did continue, however, and on January 31, 1913, 26 months after it was founded, the bank had in round figures assets of $6,900 and showed a total business of $25,356.78. True the guarantee fund laid aside was very small, but its very existence proved that the members were hopeful and had faith in the future. The loans granted amounted to $14,140.18; $4,825.05 had been paid on shares, and $11,021.81 in savings deposits. Such were the wonderful results of the bold initiative of a devoted priest and of an intelligent population who well understood how to use the self-help principle. Our fears were entirely dispelled and our confidence at the elasticity of the scheme increased to enthusiasm.

St. Martin, in the County of Beauce, is another instance of the same character and the results were as good as those already mentioned. The bank there was organized on July 25, 1910, and on August 31, 1912, 25 months later, it had assets of $8,864 and had done a total business amounting to $92,417, while the loans had reached a total of $43,092.

Ste. Euphemie, in the County of Montmagny, is a very small parish exclusively rural, with a population of about 400. The land is poor and hilly, sparsely settled and opened up to farming within a relatively recent period. The idea of organizing a cooperative bank in this locality seemed a most hazardous one. Nevertheless the experiment was tried and the following figures tell their own story in such a vivid and convincing way that one need add nothing to their interesting tale.

The parish bank was organized November 13, 1910, and on January 31, 1913; that is, some 26 months afterwards, the total assets were $5,103.41 of which $4,568.73 was loaned out in short-time loans. The general business done reached $11,000.48, of which $7,502.76 was for loans and $2,934.03 had been reimbursed. Not a cent had yet been lost nor was in danger of being lost.

The guarantee fund amounted to $94.79; the interest paid on savings deposits, $26.56; dividends, $94.98, and the

total expenses $40.50. The bank had received $5,512.80 in deposits and had reimbursed depositors to the sum of $2,728.34, leaving still on hand a balance of $2,784.46. The shares paid in totaled $2,221.10; refunded, $77.58 only; balance on hand, $2,143.52—the whole showing a magnificent result surpassing our most sanguine expectations.

We recently had the pleasure of meeting the parish priest of St. Joseph of North Temiscamingue and we asked him how the bank in his parish was doing. He said that it was more and more appreciated by the population and added that several Indians were the best members of the bank, some of them being so enthusiastic that they bought a share for their children on the day of their hirth.

PEOPLE'S BANKS IN THE UNITED STATES

Cooperative banks exist also in New Hampshire and Massachusetts, and so far as we have heard, all are doing well. The Commonwealth of Massachusetts in 1909 enacted a law to authorize the formation of cooperative banks, and on a recent visit to Boston, we were told by the Assistant Bank Commissioner that over 30 such banks, called credit unions, were in full operation. We have the figures for two of these institutions and are happy to quote them as instances of the success of such banks in the United States.

The St. Jean Baptist Credit Union of Lynn, organized by the Reverend Father Parent, whose zeal and devotion are well known to all his parishioners, is a very prosperous institution. On January 31, 1913 the assets were $16,754.27; the general turnover, $27,525.35; loans, $17,834, of which $14,704.17 were still outstanding. The interest paid on deposits amounted to $82.50; dividends to $424.32 and total guarantee fund to $233.21. These results were achieved in the short period of 28 months.

The Credit Union of the parish of Saint Ann of New Bedford was organized by the parish priest, ever zealous for the welfare of his flock, Rev. Father O. Valois. After two years of operation, on December 31, 1912, the assets were $10,551.86; the general turnover, $20,159 31; loans, $12,152, of

which $7,930 were still outstanding. There was a total guarantee fund of $129.89.

There are also in operation in the United States a number of credit unions among Jewish farmers in New York, Massachusetts, Connecticut and New Jersey.

SHARES

We now turn to the internal structure of the system and to its workings, and call particular attention to the withdrawable feature of the share capital. As previously set forth, it has been frequently objected that such a facility offered to members would seriously handicap the working of the funds. This apparent objection, however, falls completely to the ground in the light of a practical experience extending over many years under the most varied circumstances. For instance, the Levis Cooperative Bank has reimbursed $19,950 of its share capital during its 12 years and two months of existence, and still the amount of the share capital is constantly increasing, being on January 31, 1913, $124,931.39. This has been the case in all of the 150 banks which have been in operation for any length of time.

If on the other hand, the shares had not been withdrawable, the tendency would have been to make them as small as possible, as is done in Belgium, for instance, where shares are as small as one franc each. This is done that only the most insignificant amount need be so immobilized, each member being required to subscribe for only one share, the balance of their savings being placed on deposit.

The European system is based upon unlimited and joint liability, because many of the cooperative banks there mainly draw their funds from outside sources, while in our new system appeal is made largely to the spirit of thrift of the members.

Having taken such a view, there was no necessity of appealing to the unlimited and joint-liability principle. The pioneers of the cooperative credit movement in Europe did the best they could with the elements they had to deal with, and in departing from the main principle of their system, we acted not in a spirit of criticism or self-pride, but with

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.

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*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.

Nothing prevents such banks, especially after some years of existence, from granting loans for 5, 10, 15, 20 or even more years, repayable by annual instalments or amortization, including both principal and interest, so that at the end of the period prescribed, the whole debt is extinguished. As a matter of fact the Levis Cooperative Bank has granted such a loan extending to 25 years, repayable by annual instalments including 1/25 of the principal and the interest due for the balance of the loan, deduction being made each year for the amount repaid upon the principal.

Such long-time loans can be safely made when the guarantee fund has reached a sum of some impc tance representing, say, three-fifths of the total amount of such loans, and when the share capital has become steady, being almost free of yearly withdrawals. As the bank grows older and these withdrawals become less and less in amount—the holders of shares preferring to borrow so as not to lose current dividends—these shares are secured to the bank. Moreover, we have observed, especially after four or five years, a general tendency on the part of shareholders to buy the shares of those who wish to withdraw them, thus protecting the society against any serious decrease in the amount of its capital. That has been and is our constant experience with the Levis Cooperative Bank, and no doubt the same result will prevail later with others.

All these factors make it possible to grant long-time loans. The rural cooperative banks of Europe make loans for even a term of 30 years, and during their history of over 60 years none has experienced any dfficulty on this account.

NO LOSS

A most remarkable fact, already stated but which deserves special emphasis, is that we have never yet heard that any of these cooperative banks have lost one cent upon its loans. A Boston banker, being apprised of this fact, told us that it is a marvel, but he acknowledged that it is due to the network of provisions made to insure their good working and to the field of activity so happily chosen in which they are carrying on their beneficial work.

CONCLUSION

While the foregoing pages contain much evidence of the material advantages already derived by the people from the working of these cooperative banks, financial betterment is not the only benefit. For instance, we are often met by the objection that as there is an agency or branch of a commercial bank in the parish, there is no necessity to organize a cooperative people's bank. Such an objection shows a complete failure to understand the material benefits and moral influence of our societies. However important it may be to prevent the farmer and the working man from falling into the clutches of the usurers, it is of even higher importance to educate and to enlighten these same farmers and workingmen so that they may be in a position to protect themselves; to teach them to manage their own business so that they may become thrifty and more valuable memhers of the community. In this high conception of social duty lies the real reward to those who have labored to help the movement for the People's Banks. Success for the young democracies of this continent depends upon the prosperity and worth of life to the millions of workingmen who compose them. For the benefit of these, let us substitute for the old phrase, the "struggle for life," the new Christian ideal, "union for life."

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