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Enter

PEOPLE'S BANKS

PEOPLE'S BANKS

A RECORD OF SOCIAL AND ECONOMIC SUCCESS

BY

HENRY W. WOLFF

"If some one had told me a few years ago what progress co-operation was about to make, I should have said that he was talking of a vision of Utopia."—Right Hon. W. E. GLADSTONE.

"Le plus grand banquier du monde est celui qui dispose de l'obole du prolétaire."—JULES SIMON.

Fourth Edition

NEWLY REVISED AND COMPLETED

London

P. S. KING & SON, LTD.

ORCHARD HOUSE, WESTMINSTER

1919

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TO

HIS EXCELLENCY

THE HON. L. LUZZATTI,

Late Prime Minister of Italy,

THE FOUNDER OF THE ITALIAN BANCHE POPOLARI,

HIS COUNTRY'S BENEFACTOR,

THIS VOLUME IS

DEDICATED

IN TOKEN OF WARM PERSONAL AFFECTION

AND UNALTERED ESTEEM

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PREFACE

SINCE the issue of the last Edition of this book the Co-operative Credit Movement has made remarkable progress in all countries in which it has at all taken root; and during the late war it has given evidence on a much larger scale than that noticed by Sir Robert Morier in 1866 of its peculiar power of resisting financial crises.

India has come into the Movement with more than 25,000 societies and more than a million members, providing over £8,000,000 working capital and obtaining magnificent results. Japan has increased the number of its societies to about 12,000. Emancipated Russia has become a veritable nursery of Co-operative Credit organizations, which constitute the only institutions in that country which have successfully, even brilliantly, weathered the storm of war and a great political and financial upheaval, greatly increasing their capital and also their business. In Germany and Italy the Co-operative Banks have substantially helped to keep the economic machine going, steadying business and standing firm amid a veritable political and financial cataclysm—and contributing largely out of their collected fortune to their countries' war funds—in Germany to the extent of about £300,000,000. The

same remarkable steadiness amid disturbances has shown itself even in the infant Movement in India where withdrawals of deposits from Co-operative Credit Societies have been fewer and much smaller in comparison than even in the Post Office Savings Bank.

Although, quite accountably, at the present moment statistics are lamentably in arrear, owing to the war, the growth and consolidation of the Movement, and the changes which have taken place in it, are sufficiently in evidence. Such growth and changes have rendered considerable revision of this book necessary. Seeing that the specific object of this book is to elucidate the methods and effect of the various organizations in use, rather than describe their distribution over various countries, the earlier arrangement according to countries has been now replaced by arrangement according to systems.

I hope that this change will meet with the approval of readers.

H. W. W.

July 1919.

PREFACE TO THE THIRD EDITION

THE Second Edition of "PEOPLE'S BANKS," published in 1897, has been some time out of print. There is a demand for information of the kind which it contained.

Since the Second Edition was issued so much has happened in the world of Co-operative Credit that revising and bringing up to date has in substance come to mean re-writing. The old arrangement has been retained—with the addition of some new chapters; but most of the matter has been newly written.

Barring our own laggard country, since the author wrote last there has been a most remarkable advance and extension of the practice of Co-operative Credit throughout the world. The figures triumphantly quoted in 1897 appear small by the side of those applying to the present time. In Germany alone, in 1908, 919 banks of the Schulze-Delitzsch type only dealt out in advances of various kinds the huge sum of £175,000,000, which has in this way been made to fructify in commerce, industry and agriculture, purchasing raw material and paying wages. The sum lent out in the same year by about 17,900 co-operative banks registered in Germany reached altogether the huge figure of nearly £240,000,000.

Wide stretches of new country have been laid under subjection, and where the movement has been longer established its activity has grown strikingly more intense and its business more substantial. The Dutch, the Fins, various new families of Slavs, have made Co-operative Credit their own, and in a wider sphere likewise Mahommedans and Hindoos of India, who—with their 2,008 Co-operative Banks already established within the brief term of four years since the Co-operative Act came into force—are

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beginning to defy the *mahajan* and to tempt hoarded gold out of its unprofitable concealment into more fructifying employment. Canada has adopted Co-operative Credit and set us British a stimulating, though at the same time also a shaming, example. Its first offshoots have already penetrated into the United States. Even Cyprus is moving on the same track, and Egypt is preparing to do so.

In addition, Co-operative Credit has been made to assume new shapes. A special new chapter deals with a novel form of very questionable Co-operative Credit, to which the State gives its assistance, or else exacts the assistance of public institutions on its behalf, and which, in virtue of the immediate help that it affords, has become for the time exceedingly popular. Such interference happily has incited those who, having tasted the sweets of State assistance, have in course of time penetrated to the bitter kernel concealed within the deceptive husk, to put forth more vigorous efforts to make their Co-operative Banks an improved substitute for savings banks. The success of Co-operative Credit as a thrift institution accordingly shines forth to-day with increased splendour.

The object of the present book is to describe what exists. From more quarters than one has it obtained the eulogy of being *the most complete book on the subject published in any language*. It has been the author's endeavour to maintain such distinction. For a statement of the why and wherefore of the several practices which make up Co-operative Credit, the causes which make it succeed, the objects underlying each distinct usage, the dangers to be guarded against in every particular, and generally the *rationale* of Co-operative Credit, readers interested in such matters are referred to the same author's "CO-OPERATIVE BANKING: ITS PRINCIPLES AND ITS PRACTICE"; for Rules, and Directions how to apply them, to the author's "A CO-OPERATIVE CREDIT BANK HANDBOOK," both only recently issued.

What is here said will show that there has never been a more successful or effective movement than that of Co-operative Credit, rendering equally valuable services alike economic and educational, cheapening the use of

money, diffusing its employment, and at the same time training those for whom access to money is opened to intelligent use of it. Therefore the hope may be entertained that the tale of its origin and growth in all its various phases may once more prove of interest.

H. W. W.

March 1910.

PREFACE TO THE FIRST EDITION

THE subject discussed in the following chapters is new to most English readers. The kind interest with which articles dealing with one portion of it, recently published in the *Economic Review* and the *Agricultural Economist*, have been received, the attention accorded to lectures delivered in various places, and the direct bearing which the matter obviously has upon our present social—that is, at bottom, economic—troubles, encourages me to hope that in some quarters, at any rate, some information upon one of the most signally successful movements of our century may prove not unacceptable.

I desire to record my sincere acknowledgments for information very liberally given, orally and by letter—in some cases at no small sacrifice of time and trouble—to a considerable number of gentlemen connected with the cause of provident action and co-operation, more particularly to the Hon. L. Luzzatti; Herr R. Raiffeisen; M. E. Tisserand, *Conseiller d'Etat et Directeur de l'Agriculture*, in the French Ministry of Agriculture; Dr. von Langsdorff, of Dresden, and other heads of Agricultural Departments of German States; Dr. von Jekelfalussy, Chief of the Statistical Office of Hungary; our Chief Registrar of Friendly Societies; Dr. von Keussler, of St. Petersburgh; Director Cremer, of Neuwied; Professor Concini, of Rome; M. A. Micha, Secretary-General of the Federation of Belgian *Banques Populaires*; M. A. Yersin, Director-General of the *Schweizerische Volksbank*; M. L. Durand, of Lyons; and the Very Reverend Father de Besse.

H. W. W.

February 1893.

PREFACE TO THE SECOND EDITION

So much new matter has been added to the earlier "Record" of People's Banking, that this Second Edition may almost rank as a new book.

In our own country the idea of Co-operative Banking has, as I must gratefully own, met with a far more ready reception than I had any reason to anticipate. The interest betokened has appeared to me to call for fuller and more detailed description of many points affecting the subject than I felt warranted in entering into in the first edition.

I owe thanks for information freely given to so many kind friends that it would be hopeless to attempt to mention all by name. I must, however, single out one, namely, Mr. E. W. Brabrook, the Chief Registrar of Friendly Societies, whose ready help in the preparation of Model Rules, alike for PEOPLE'S BANKS and for VILLAGE BANKS, has proved invaluable.

Please God, the good cause having succeeded in enlisting interest, will now speed here as it has sped elsewhere, to the benefit of millions! So far as I am able, I shall always be happy to assist with further explanation in whatever quarter such assistance may be asked.

H. W. W.

June 1896.

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PEOPLE'S BANKS

A Record of Social and Economic Success

CHAPTER I

INTRODUCTION

AT a time when every mind appears busy with schemes of "social reform," when every effort, alike of statesmen and of philanthropists, seems bent upon doing something to raise the social status and improve the material condition of the poorer classes, no excuse should be needed for calling attention to an institution which—British, as some of its supporters hold it to be in its prime origin, but adapted and developed abroad—has in some neighbouring countries proved more helpful than any other in furthering the objects aimed at, but which among ourselves has thus far scarcely attracted sufficient notice. The problems which at present perplex us are not, so we ought to remember, our peculiar monopoly. They call as clamorously for solution elsewhere. In France, in Germany, in Austria, in Italy, in Belgium, as among ourselves, Labour jostles Labour, the rapidly increasing host of those who have to earn their living by toil demand with a voice growing louder and louder the boon of independence and a larger share in the rights and comforts of life. There, as here, the plaintive cry of the destitute, the suffering, the helpless, homeless, foodless—whom the country has brought forth and the country, it is contended, ought to sustain—may be heard appealing for relief. There, as here, in one shape or another—whether as a matter of possession or as a problem of providing more

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ample means wherewith to improve what is already possessed —the troublesome Land Question casts its dark shadow across the scene. It cannot, of course, be argued that other nations have been more successful than ourselves in *finally* solving the problem with which we are all grappling. But in respect of one or two points, amid a good deal of profitless experiment and actual blundering, some of them seem at any rate to have come nearer to sound remedial action. They have discovered that it is not necessary to assume, as many among ourselves appear to do, that Capital and Labour, whose recurring strife is responsible for one of our main perplexities, are necessarily antagonistic forces, with different interests, different aims, different aspirations —belligerent parties, between whom peace can be established only from time to time, as a matter of terms. In one instance, at least, they have managed to bridge over the dividing gulf and blend the long-opposing interests into one, by making, in the apt words of Schulze-Delitzsch, the working-man "his own capitalist." And they have shown that other means are available for adjusting differences arising between various factors of national production than encroachments upon production itself; that it is not an inexorable law of Nature that whatever is given to Labour must necessarily be taken from some one else—be it capitalist employer, or be it rate-paying community. Not everywhere is it contended that Labour should be benefited by a restriction upon output. Emigration, though necessarily tolerated, is looked upon by some of our neighbours rather as an evil to be put up with than as a desirable remedy. When employment runs short, the first question asked by them is, whether it is not possible to provide more, by creating new fields of production. Foreign methods may not be our methods—in some instances they distinctly cannot be. But some of them may upon inquiry prove applicable to our case. And of these the most promising, as also the most adaptable to our own—as to most—circumstances appears to me to be that for which our neighbours are beholden to Schulze-Delitzsch, Raiffeisen, the late Léon d'Andrimont, the Hon. L. Luzzatti, and Dr.

Léone Wollemborg—who have taught them to establish "People's Banks," and thereby to create large capitals providing a new stimulus to business and abundant employment without cost to any one.

One can scarcely help remarking upon the curious coincidence of facts which opened to Europe at exactly the same period, about 1849, two essentially different roads to vast riches. It was while our first emigrants were rushing to the newly discovered gold-fields of California—big with promise, tempting to the eye with the alluring glitter of precious metal—that in a small village in the bleak Westerwald, and in a petty provincial town of that portion of Saxony which Prussia annexed—the Saxons say "stole"—in 1815, the first spade was thrust into a "gold-field" of a very different type, looking at the time bare and barren, but concealing under its unpromising crust a store of wealth, larger and more beneficent in its effects by far than the gold deposits of the State which the American Confederation had then just finally made its own. Which of the two gold-fields has thus far yielded to Society the larger volume of tangible riches, it may be open to question. Which has more enduringly benefited our race—the metal which began by provoking robbery and disorder, and which, along with much good service, forms a standing incentive to greed, envy, and dishonesty; or the "capitalized honesty" which plants virtues where there were vices, makes people thrifty, industrious, sober, honest, and enables them to build for whole classes habitations which no financial crisis can wash away—to such question there can be but one answer.

What untold riches these People's Banks have within the seven decades of their existence made available for small folk's needs, what millions they have added to the wealth of the countries in which, as Léon Say has testified, they "flourish throughout"; what vast amount of misery, ruin, loss, privations, they have either averted or else removed, penetrating, wherever they have once gained a footing, into the smallest hovel, and bringing to its beggared occupant employment and the weapons wherewith

to start afresh in the battle of life, it would tax the powers of even the most imaginative economist to tell. Propagating themselves by their own merits, they have overspread Germany, Italy, Austria, Hungary, Switzerland, Belgium. Russia is following up those countries; France is striving strenuously for the possession of co-operative credit. Servia, Roumania, and Bulgaria have made such credit their own. Canada has scored its first success on the road to its acquisition. Cyprus, and even Jamaica, have made their first start. Ireland has substantial first-fruits to show of her economic sowings. South Africa is groping its way to the same goal. Egypt has discovered the necessity of co-operative banks, even by the side of Lord Cromer's pet creation, the richly endowed "Agricultural Bank." India has made a record beginning, full of promise. And even in far Japan, where Ninomiya Sontaku has paved the way, and in China, accustomed to a congenerous, very primitive institution, people are trying to acclimatize the more perfected organizations of Schulze-Delitzsch and Raiffeisen. The entire world seems girdled with a ring of co-operative credit. Only Great Britain still lags lamentably behind, scarcely troubling itself to realize the existence of such a thing.

Yet the solution provided for the world-wide problem has all the more to recommend it among ourselves, because it is essentially based upon a principle of which this country has long been regarded as the specific home: the principle of self-help. Self-help, it is quite true, has of late gone a little out of fashion. We are taught sometimes to look to other deities to bring us up out of the Egypt of want and distress. Nevertheless, whatever it be reserved for State-help to accomplish, in England self-help is not likely long to want adherents. Unfortunately we have thus far given to this great power only half its practicable application. "It is self-help," so W. E. Gladstone phonographed, early in 1890, to a delighted body of correspondents across the Atlantic, "which makes the man; and man-making is the aim which the Almighty has everywhere impressed upon Creation. It is thrift by which self-help for the masses,

dependent upon labour, is principally made effective. In them thrift is the symbol and the instrument of independence and liberty, indispensable conditions of permanent good."

Yes, that is admirably said, and with the purpose of Mr. Gladstone's words no one will be disposed to quarrel. That is the interpretation which we have thus far put upon "self-help." "Save, lay by, economize, make the most of your pence, alike in provident accumulation and in economic outlay," that is the familiar counsel which for many a year back we have persistently addressed to our poorer brethren. Going further than counsel, we have provided for them facilities which have served as models to other countries. Our Savings Banks, our Provident Societies, our Co-operative Stores, remain unsurpassed in the known world, and secure to us without question an honoured place among nations in respect of the practice of thrift.

But does not all this, after all, represent only one side of self-help? Could not the same power which enables us to garner the ripe fruit be impressed into service also to assist us in tilling the soil and producing it?

It seems strange that we should never seriously have turned our thoughts to this problem. There are so many bits of waste lying unproductive in our economic system which self-help, if it is within its power, might with advantage be called in to cultivate. There is so much labour which cannot be brought to the point at which our orthodox form of self-help begins—the point of being able to save and lay by. And even where there is employment, there is still so much available labour and ability running unprofitably to waste! There is so much skill and opportunity which for want of means cannot be turned to full account! We are rich, no doubt. But the daily conflicts between Capital and Labour show that with all its abundance Capital is among us not equal to the demands made upon it; that, rapidly as it has grown, Labour has grown very much faster; and that, for want either of will or of power, it is still relatively too small for our national needs—too small, at any

rate, at the fructifying points. Then, is there no means of supplying the want, of creating the capital which is wanting, and, where there is admittedly opportunity and working power, of placing also the material to work upon at the command of the willing workman, to the diminution of misery and destitution, and the happy increase of the productive power of the nation?

The answer, given in the affirmative, is to be found in "People's Banks." To suggest one illustration of what they may accomplish—we well understand the all but hopeless difficulty of dealing with the huge mass of helpless misery which daily, articulately or inarticulately, calls upon us to be relieved. Though our charities flow very unevenly from different purses, in the aggregate no nation in the world gives more largely, nor more readily. For all that, if Gregory the Great is right, it is to be feared that even the most charitable among us are sorry sinners —even in their very charities. For although they "offer rightly" enough, they most evidently do not "distribute" at all as they should (*si recte offeras, non recte dividas, peccasti*). Now let us suppose that through this vast, unwieldy mass of distress a line might be drawn, separating, not the deserving from the undeserving—that is not our affair—but those in whose hands money might be counted upon to fructify, to give them employment and repay itself out of their toil, from those in a different case; and let us suppose that to each and every one of the former category could as much money be advanced—readily, easily, and at the cheap rate of the current hiring price of money—as they think that they have employment for. By what a substantial proportion would the tax upon our resources, both of purse and of application, be reduced! Not only would the mass of destitution to be dealt with dwindle very materially, but former victims would at once become effective helpers—taxpayers, it may be employers, givers of charitable support instead of claimants to it. Let us further suppose that, even beyond the limits of actual want and non-employment, all those willing workers among us who, like our well-known heroes of self-help, see their

opportunity for a great enterprise, who have the ability, but want the means, could go to the same source of supply and there obtain, without the indignity of begging, without having to make a special favour of the loan, whatever they require—let us assume that the farmer or the allotment-holder could obtain the wherewithal to drain, to manure, to improve his field according to modern principles, the householder the wherewithal to set up and furnish his home cheaply, the small tradesman the means wherewith to stock his shop, the small artisan the funds for carrying out profitable work—whatever the want, whatever the calling might be, suppose that it could be supplied—what a vista of wealth and prosperity beyond the wildest dreams of hope, profitable to the individual, profitable to the community, appears to open itself to one's view! It seems almost like a vision of fairyland.

Well, and can People's Banks accomplish all this?

The answer is to be found in that vast network of flourishing banks spread out over Germany and Italy, numbering by the thousand, turning homeless labourers into cultivating owners, unemployed journeymen into thriving traders, starving peasants into substantial yeomen, stimulating everywhere, in Léon Say's apt words, commerce, industry, and *la petite culture*, which under their beneficent shelter develop " with increasing energy " in those neat, prosperous villages, encircled by smiling gardens, orchards, and heavily bearing fields, which spring up, as if by magic, not in the fertile valley of the Rhine only, but in the barren Westerwald, on the erst neglected plains of Venetia, and in the wild Rhön mountains. It is to be found in the bustling business going on daily in that palace of the *Banca Popolare* which you may see in Milan, where a full hundred of clerks are continually at work, besides about 140 unpaid officials, passing tens of thousands of pounds through their hands every day, £80,000,000 in the year, a stream of gold steadily and rapidly increasing in volume. All that work is done with a clockwork regularity and an exactitude in every detail which could not, says Léon Say, be surpassed in London or New York. And all has grown up out of genuine

" People's " business. Most of the transactions are small—drafts of ten lire (eight shillings) are not at all uncommon. Lira by lira has that magnificent fabric been reared up out of small folk's business—" drop by drop," says its founder, M. Luzzatti, " like a stalactite grotto "—till it has grown to be one of the largest banking establishments in all Italy. There are something like eight hundred banks of this order, small and great, in Italy, doing among them a full third of the country's banking. In Germany there are thousands. Or, to ascertain the results under a different aspect, you should, once more in Italy, go out into the country and ask the *muratori* and the *braccianti*, whom you see there building and making roads—even an entire railroad—without a master to control them, where they got the money from which enables them to do the job on their own account, putting the middleman's profits into their own pockets. Or else you should walk into one of those thriving villages in Venetia, in which Dr. Wollemborg has set up his *casse rurali*. A few decades ago, under the evil influence of hindrances not unknown among ourselves—the accumulation of landed property in few hands, habitual absenteeism, and, in addition, a rigorous exaction of rents such as, happily, we have no conception of—that district was the usurer's favourite hunting-ground, and the poor drudges who cultivated it had not a centesimo to call their own from week's end to week's end. Now the usurer is gone, and the cultivators are doing well, and laying by. Or, again, you should go into the valley of the Rhine, where the Raiffeisen Banks have been longest at work, and observe to what extent homes have been made habitable and comfortable ; how cultivation has been improved ; how machinery has been purchased, and the best fertilizers and feeding stuffs ; how the vintner has been enabled to sell his produce for cash at double the former rate of return ; how the small peasant can now buy his implements and manures, of the best quality, at the cheapest wholesale prices ; and you should see how small industry and trade have been developed, how the usurer, once all-powerful, has been driven out of the field, and those once poor men have become small

capitalists. One is afraid of falling into a strain of rhapsody in describing all these results. "I have seen a new world," so broke out, in explicable admiration, the Hungarian deputy, Professor von Dobransky, charged with a mission of inquiry, on seeing this country of newly created plenty, "a world of brotherhood; it is a world of brotherly love and mutual help, where every one is the protector and the assister of his neighbour. An isolated man here finds himself transplanted into the bosom of a community whose resources multiply a hundredfold the productive power of its labour, and crown it with success." This seems high-flown language. But other visitors, dry, sober political economists, like Léon Say, Eugène Rostand, Professor Held, and Fournier de Flaix, speak in exactly the same strain. The late Emile de Laveleye expressed himself with less of rapture but not less of emphasis. The wealth which this new instrument has brought forth, as by a touch of Midas, wants to be seen to be understood. Looking at it, and reckoning up its benefits, one feels indeed as if on economic ground "a new world had been called into existence to redress the balance of the old." And "all these wonders which I have seen," so writes Léon Say, "are the wonders of private initiative and decentralization. It is private initiative, it is the decentralization of credit which is the dominating cause of all this progress in wealth. It is co-operation which has created it all (*la mutualité a tout créé*)."

And the tale of our "wonders" does not end here. "The moral results," writes Eugène Rostand, after his second visit to the humble co-operative banks of Italy, "are to my mind superior still to the material." To apply Signor Wollemborg's apt illustration, the golden sunshine of thrift and co-operation, wherever it has cast its rays, has "unveiled," and brought to view in plenty, unlooked-for virtues which had long lain hidden, like flowers shrouded by the night. The idle man becomes industrious, the spendthrift thrifty, the drunkard reforms his ways and becomes sober, the haunter of taverns forsakes the inn, the illiterate, though a grandfather, learns to read and write. It sounds like a

tale from wonderland. Yet it is all sober fact. We find a Prussian judge officially reporting that litigation, especially in respect of claims for debts, has very sensibly diminished in his district—thanks to the establishment of a co-operative bank. We hear a German priest confessing that the new Village Bank in his parish has done far more to raise the moral tone of his parishioners than all his ministrations. In Italy we have another parish priest—one among many—Don Rover, the *paroco* of Loreggia, writing only a brief time after the setting up of the co-operative *cassa* in his parish :

"People go less to taverns now, and work more and better. Since only respectable folk are admitted as members of the Association, we have seen habitual drunkards promise never to set foot again in a tavern—and keep their word. We have seen illiterate folk, of fifty years and more, learn to write, in order that they may be able to sign their application for a loan. Poor people, excluded as being in receipt of parish relief, have vigorously exerted themselves to have their names erased from the paupers' list, and instead of living on alms, we now see them living on their labour—thanks to the small capital lent to them by the Association. Poor fellows, who could previously scarcely support themselves, have been enabled to purchase a cow, out of the milk and cheese of which they pay the debt contracted, keeping the value of the calf as net gain."

Learned professors and Ministers of State, dry economists, ministers of religion, men of business from all countries—all, in fact, who have had an opportunity of judging by the tests of their own eyes of the merits of this new Fortunatus's purse, join in the chorus of laudation. One is not surprised to find foreign Governments steadily encouraging institutions whose aim, in the words of one of their founders, Schulze-Delitzsch, is "Peace"; in the words of another, Léon d'Andrimont, "Order and Economy"; while in practice they prove, according to the testimony of Léon Say, "the most effective weapon against the development of Socialism."

But to gauge the value of People's Banks at its fullest, one should go among the people whom they have benefited —the small tradesman, the peasant, the cottager, who has

by their help purchased, rod by rod, a little holding which he surveys with pride. One should go, as I have done, stick in hand, walking from cottage to cottage, and hear these people describe the contrast between erewhile and now, and listen to them telling off their little troubles and embarrassments, and how the bank stepped in to relieve them. Many such a tale there is which could not fail to warm a philanthropist's heart. If there is one proof more conclusive than any other, as showing the practical utility of these banks, it is the devotion and the gratitude which they evoke from those whom they support and who in turn support them.

And, so inquired into, the system presents itself as so simple! Every peasant appears able to understand it. He delights in bringing out the books, in showing them to you and explaining what all the entries mean. He can make the whole organization clear to you.

And, moreover, the business is so safe! Hence in part the remarkable popularity of co-operative banks as receptacles for savings deposits. The money deposited with such societies in Germany at the close of 1907 amounted to £125,000,000, equalling the amount held collectively by the large banks.[1] "Not a *sou* has been lost," so declared the late Eugène Rostand, the President of one of the largest Savings Banks in France, in praise of the Italian *casse rurali*. "Our losses have been altogether trifling; in the times of economic crises less than those of other banks," writes to me Professor Concini, on behalf of the *banche popolari*. "Not a *pfennig* has ever been lost, either to creditor or to depositor," so the heads of the great Raiffeisen Union make it their boast, after an experience of some seventy years, and speaking on behalf of a union now increased to beyond five thousand associations.

It must seem strange indeed that, with our acknowledged needs, with our large means, and our familiarity with banking, we should never before have seriously directed our attention to an institution which with so slight an effort can produce such marvellous results, which goes on spreading

[1] I have no later figures owing to the War.

its network continually over new districts, meeting with the same success everywhere, going nowhere but to conquer —we, who otherwise are not slow in our appreciation of money and of opportunities for business. It seems doubly strange that we should so long have neglected this modern development of banking, when we are told that it was our Scotch "cash credit" which first suggested the idea to foreign co-operators. In their earliest days our Co-operative Congresses did indeed nibble a little at the subject. Their members had heard of the "wonders" wrought abroad, and were anxious to reproduce them on British soil. They were not, however, quite clear among themselves as to what they really wanted—whether People's Banks, to help poor folk by loans, or purely co-operative business establishments, to earn banker's profits for their shareholders and finance speculative undertakings calling themselves "co-operative." And so the inquiry ended in two disastrous experiments. In 1886 our Government made those foreign banks a subject of consular inquiry. The Blue Book which has resulted from those labours gives them very becoming credit. But, unfortunately, in its information it is full of inaccuracies and errors.

In real truth our knowledge on the subject, as a nation, is still little more than a blank. I hope that I have made out my case so far as to show that there is some ground for endeavouring to fill up that vacant space, and that People's Banks ought to possess some interest for us. To the fullest extent they carry into practice the admirable maxim on which the Alsatian philanthropist M. Dollfus based the generous and useful work which has helped to make him famous and his memory beloved among working folk: *Aidez-à-faire*. They do not *give*, but *help*. They help those to help themselves whom by other means, so long experience has proved, we cannot adequately assist.

If in the following chapters I can but make clear by what services and methods People's Banks accomplish this, how they have grown up abroad in a variety of form which seems to indicate almost inexhaustible adaptability, how wonderfully they have thriven, and what truly astonishing

amount of good they have accomplished, more especially among the poor and neglected—the struggling toiler, alike in town and country, the usurer's victim and the exactor's drudge—my tale ought to be worth the telling.

But I need scarcely add that I hope to do more; that by the account which I shall give of the "wonders" accomplished—the work of enrichment, of education, and of a diffusion of sound principles, alike economic and moral, I hope to awaken sufficient interest to induce well-wishers of their country to provide a home for the beneficent institution which has performed such admirable work abroad. also in this laggard island.

CHAPTER II

THE GENERAL IDEA

THE bare idea of co-operation in matters of money was not new when the two originators of the co-operative movement in Germany resolved to create for their country a co-operative speciality. There are traces of it to be met with in the history of most nations. The Spanish *compañia gallega*, the Portuguese *sociedade familiar*, the Italian *monti nummari*, the Russian *watagas*, the South Slavonian *drouzinas*, the Indian *nidhis* and *akharas*—all these institutions show the principle of co-operation for the common obtainment of funds put into practice in some more or less elementary way. It cannot occasion wonder that, when the second French Revolution quickened the desire for full emancipation among the toilers of an impetuous nation, the idea thus far rudimentarily applied should have been made to assume more definite form. It was in those days of emancipation by fire and sword that the chemist Gall—the same who invented the method of sweetening sour wine by the addition of fruit-sugar during fermentation—conceived the idea of "fighting Capital by a combination of the many small purses of Labour."

But it was one thing to grasp the bare idea, and quite another to put that idea into really workable shape. Gall's crude proposal to fight cash with cash—cash which could bide its time, with cash which might, every penny of it, be called for any day to keep its owner's body and soul together—erred, of course, wide of the mark. What gives the capitalist his main advantage over the man with no capital, is not his hard cash, but the *credit* which that cash

commands, and which multiplies its producing power five and tenfold. If, therefore, the poor man was to be made "his own capitalist," it must be by assuring to him the help of *credit*—the very last thing which in the ordinary state of affairs is accorded to him, but of which, in Signor Viganò's apt and felicitous words, "he stands in far greater need than does the rich." "He has no credit," says Giustino Fortunato, a leader in the Co-operative Credit Movement in Italy, "because he is destitute; and he continues destitute because he has no credit; and so he moves on hopelessly in the same vicious circle, from which there is no way of escape."

The question to be answered then came to be: Could by some means or other credit be provided for the poor? Fortunately, Credit is, as Professor Laurent rather happily points out, satisfied with very little. "Credit," says the professor, "is not the creator, but simply the mover of capitals. It multiplies indefinitely their services; it quickens their movement, as the rail quickens the revolution of wheels; it annihilates the obstacle of time, as steam annihilates the obstacle of space; but it does not create. It uncovers, it awakens, it fructifies; it does not invent. It is a marvellous power, without which the economic movement would not exist; but it is not a panacea. Even with enormous effective values it cannot do everything, and with nothing it will never accomplish anything. *However, with next to nothing, and that is the case of the People's Banks, it will effect wonders.*"

The experience of People's Banks has fully justified this opinion. Schulze-Delitzsch, who has long been looked upon as the main pioneer of modern Co-operative Credit, began his work with very little. It was but like a grain of sand. But in Signor Viganò's words, it gave Co-operation the πού στῶ, from which the world might be lifted out of its hinges. It was a paltry beginning, so one would have thought, to lead up to the present wealth and influence, in the possession of which the Schulze-Delitzsch Banks keep something like £100,000,000 continually circulating in trade, agriculture and commerce. Raiffeisen borrowed

£300, which had to be repaid within a comparatively brief time, to begin his work upon. M. Luzzatti started the giant establishment at Milan, which now commands a paid-up capital and reserve exceeding £500,000, with a puny sum of £28. Signor Leone Wollemborg began his banking operations for his *casse rurali* with literally nothing at all except credit. And yet these co-operative banks among them have created milliards' worth of property, besides becoming themselves substantial institutions with great wealth, in M. G. François' words: "*Une véritable puissance financière, dont l'importance économique n'a pas besoin d'être démontrée.*"

In 1849, however, all this was experience still to be acquired. In Spain and Portugal, unobserved by English or German co-operators, the poor peasants of the *compañia gallega* and the *sociedade familiar* had in their own elementary way solved the problem of co-operative credit up to a certain point. Their shrewd common sense had taught them that by converting their family, so to speak, into a joint-stock concern, endowed with continuity and common liability, they would be offering very much better security both to the landlord and to the money-lender, and thereby enabling themselves to obtain very much more favourable terms alike for rent and advances. And on this principle they continued through generations to contract their little loans, unconsciously providing a useful stimulus to thrift and economy, and attracting into the family home or holding many a *real* which without such inducement would have gone in finery or dissipation.

But these men had at any rate *something* to pledge. Schulze-Delitzsch's problem was, in his own words, "to procure capitals without a capital of guarantee"—"to find," as the late F. Passy has put it, "means for giving credit to those who have no security to offer in exchange." The question to be solved, in fact, was this: Could labour be pledged for money? Sir Robert Morier, in an excellent paper contributed to our first Co-operative Congress, held in 1869, answers that question in the affirmative. He says: "The skilled artisans of a community are as good a subject

for a mortgage as the steam mill which supplies it with flour, or the broad acres which furnish the corn for the mill. All that is wanted is some equally safe means of assigning to the creditors a lien on the former as on the latter." That is the very point. In practice, of course, the problem did not in every case take this extreme shape. For, as in the case of the Iberian peasants, there was often something, at any rate, in the borrower's possession, which might serve as visible security—a holding, or a house, or some chattels. But these in most instances did not amount to very much; and in the main the problem still remained as Sir Robert had put it, and resolved itself, in M. Luzzatti's words, into one of finding "moral" guarantees and devising means for "the capitalization of honesty," to serve as a pledge of security.

The work has been accomplished, as will be seen, by a variety of methods. Still, looking at the banks collectively, one may agree with Léon Say, who says that, differing in details, in principle they "are all of one family." The family has proved a lucky one; for all its members have been singularly successful, though successful in different degrees. And even that difference is not without its value. For it teaches what an essential element of success in this matter is the frank adoption of the principle of self-help. It clearly shows that the more fully and undilutedly banks have accepted that principle, the better, in the long run, have they thriven. All leaning on outside supports, whatever ostensible gain it may have brought at the moment, has in the end turned out to be nothing but loss, and it has been proved beyond the shadow of a doubt that, in Schulze's words, to become "his own capitalist," the working man must be "the instrument of his own emancipation." "The only capital (in this application, of course) which will endure," so says Professor Laurent, with the approval of Emile de Laveleye, "is the capital created by the workingman himself. It would be idle to lend to him or to give him the implements for his work. Such gifts, like an inheritance under the touch of a spendthrift heir, would be squandered in little time."

We ought to know that this is so, though we have given little evidence in the past of our having mastered the fact. The record of our benefactions designed to help and raise the working classes is a record, to a great extent, of desires and efforts which do our philanthropists credit, but to the same extent it is also a record of practical failures. Millions upon millions have been thrown away, as uselessly as if they had been cast into the sea, in kindly intended but injudiciously executed attempts to do good to others according, not to their own, but to our ideas, to give them ruffles when they wanted a shirt, and to give that luxury in a way calculated rather to make the receivers careless than to make them thrifty. Only a short time ago we had fresh proof of this given us in the complaint publicly expressed by a nobleman who had liberally purchased "a large tract" of land beyond the sea, on which he had purposed to settle English emigrants. The men accepted the free passage gladly, and, that done, made their way to a more congenial settling ground in the United States. Their intending benefactor had thrown his money away. He had pressed upon his beneficiaries what they had not asked for and did not want, and what they considered that they might relinquish without ingratitude. Hundreds of similar instances might probably be quoted, if one cared to ransack the history of our charities.

Throughout history there seems to have been a peculiar bane of failure attaching, like a Pandora's curse, to those provident or charitable enterprises which did not rest upon self-help. Either they did not reach the proper people, or they failed in their effect upon those people, making them unthrifty instead of thrifty; or else the method chosen proved unsuitable, or the safeguards were insufficient; or else, lastly, the funds were misapplied by their own guardians and turned to improper uses.

France has a long tale to tell of very well meant but injudiciously conceived or else mismanaged enterprises—from that wretched waste of money downward, which in 1848 Thiers branded as "*cette grande folie*"—viz., the gift of 3,000,000 francs wherewith to endow national work-

shops—to the present day. The Emperor Napoleon III. tried his hand at such beneficent work. First he created a *Caisse d'Escompte*, endowed with a million of francs, of which he himself provided one-half, which was to advance funds more especially to productive co-operative associations. As it turned out, the rules had been so stringently drawn that no borrower could be found willing to comply with them, and the institution died without having done any good. Then the same Emperor started a *Société du Crédit Agricole*, which was more especially intended to benefit rural borrowers. The institution came to these men in such a questionable shape, it looked to their eyes so unfamiliar and suspicious that, timid as they habitually are, they shrank from claiming what was willingly offered, and the *Société*, not knowing what to do with its idle money, invested a large sum in loans to the Khedive Ismail, which very soon put an end to its existence. The Empress Eugénie fared no better with her *Société des Prêts de l'Enfance*. Gambetta experimented with the same ingenuity, but unfortunately also with the same disappointing result. His *Caisse Centrale*, formed with the very best object, soon found itself on the straight road to failure, because it could not attract the one class of customers whom it wanted, and in the end it saved itself only by converting itself from a philanthropic into a business bank.

The truth is, it is not by any means easy to attract poor people of the right sort to the lending counter. With an ingrained sense of very honourable delicacy they shrink from accepting what either is, or else appears to be, a dole. There were non-co-operative philanthropic lending banks in many places in Germany before Schulze-Delitzsch and Raiffeisen entered upon their benevolent career. The late Duke of Saxe-Coburg—the great-grandfather of our King—more especially, had been careful to found some such in his dominions—at Gotha, Ohrdruff, Zelle, Ruhla, and elsewhere. But nowhere did these capitalist establishments accomplish any real good. In Berlin, so Dr. Crüger tells us, no man "with any sense of honour in him" would apply to them for a loan. Vagabonds came in plenty,

but vagabonds were not to be supplied—though, to the loss of the institution, unfortunately a good many were. And when, for want of business, the banks at length closed their doors, though their capital had considerably dwindled by injudicious loans, a large portion of the funds remained unemployed.

Such unwillingness on the part of poor people, especially the poor peasantry, to come for loans to persons whom they do not know very familiarly, and by whom they do not know themselves to be understood, has been the standing *crux* of the Governments both of France and of Belgium in their endeavours to carry into effect their pet hobby of establishing a form of personal agricultural credit. They have tried to do this with the help of the large resources at their disposal respectively in the Bank of France and the Belgian General Savings Bank, and through the medium of local committees—*comptoirs d'escompte* and *comptoirs agricoles*—whose members were selected with as great care as was possible, so as to secure persons acceptable to the local *clientèle*. It proved all in vain. The borrowers would not come. "If in a village," so complained the Belgian Minister, M. Graux, pouring out his griefs on this subject to the Chamber, "it becomes known that an inhabitant borrows, people at once begin to suspect that his financial position must be shaken. The trader, on the other hand, glories in his credit; the larger is his credit, the higher stands his repute. The peasant will not borrow till his affairs decline, and then he puts off borrowing as long as he possibly can; he will rather pay a high rate of interest to some avaricious notary, who may be trusted to keep his secret, than frankly apply for a loan where interest is low. Such are the ideas of our *campagnards*. In their view a loan brings with it a stigma of discredit." This description is true all the world over. The French Government has had much the same experience in its own country. And in Germany, Herr Cremer, when Chairman of the Union of Co-operative Loan Banks of Neuwied, told me that even the Raiffeisen Associations, which are thoroughly popular and self-administered, have in some of their districts found

themselves compelled to put forward one or other of their wealthier members, so to speak, to " bell-wether " the poor to the lending table. Evidently it is only to lenders of their own place or district, and lenders of their own class, or familiar with its affairs—who may accordingly be fully trusted to understand the position and the objects of the borrower, and to think none the worse of him for his borrowing—that this shy class of customers—as it happens, the only right ones to trust with money—will come.

And if it is only to such that the right borrowers will come, it is only such also who may be trusted to adapt their methods to the case, and be liberal without being careless as regards security. In the most typical cases already quoted from French economic history there has always been either too much or too little caution. To what extent official administration can shipwreck even a good fund, is shown by the fate of the *Legs Rampal*, liberally left by a philanthropist for the benefit of co-operative societies. Unfortunately Rampal entrusted the keeping of the fund to a Committee to be appointed by the Municipal Council of Paris; and that Committee simply strangled the fund with red-tape. Framing its rules with municipal wisdom, it lent to those to whom it ought not to have lent, and did not lend to those to whom it ought, and by this means very effectually frustrated the entire object in view. In such manner the funds of the *Legs* were for a long time systematically frittered away. In 1887, out of 437,000 francs lent out, 100,000 francs were reported irrecoverable. In 1899, out of forty-nine associations lent to, eighteen were found to be bankrupt, eighteen more in course of liquidation, and three suspiciously in arrear. On 1st January, 1908, the assets of the *Legs*, which began in 1882 with 1,411,062 francs, had dwindled to 415,980 francs. The losses alone endured by failure of societies to repay in twenty-two years, are officially set down as 288,766 francs. That is not an encouraging tale.

Even co-operative loan associations, so it has become plain from experience collected, more especially in Italy,

must not step outside the district within which they are genuinely local and co-operative, that is, under circumstances in which sufficient mental touch and mental knowledge of one another are wanting, unless they would miss their effect. Co-operative banks, endeavouring to extend their work over a wider district by means of branch offices, where there was not sufficient touch, found themselves making a loss. The branch districts afterwards organized their own independent banks, based on touch and mutual knowledge of one another among members, and the new institutions throve. The losses sustained by co-operative credit associations in Germany in the course of their operations occur almost without exception amongst such as have attempted to work outside their own district or without a recognized district at all.

It is interesting to note the difference in the fate which has befallen, on the one hand, genuine co-operative loan institutions, supported and officered by those for whose benefit they are intended, and, on the other, loan institutions of a different type, be they official or philanthropic, however well conceived and organized.

One case in point is that of Alsace. The German Government, on taking possession of the newly conquered province, found popular credit unprovided for, and at the same time millions of marks, either savings banks' money or else communal funds, lying idle in its tills. With sound judgment, as it appeared, and great thought, it organized popular Advance Banks (*Vorschusskassen*), by which such available moneys were to be lent out to the peasantry and other small folk on very liberal terms under official administration. Every precaution was taken, yet the practical effect proved next to *nil*. Some eighteen years later Herr Raiffeisen planted one of his co-operative Village Banks on the same ground. Within five years that one multiplied to seventy-three. In 1892, when I visited M. Chevroton, the Chairman of the Provincial Committee, at Saint Hippolyte, there were 126, all thriving, all doing a large business, alike in granting loans, and in taking savings. At New Year 1913 there were 463 societies with 55,339 members. Never had grain

of seed fallen on more fruitful soil than that on which the official variety had barely germinated.

Something very similar has happened in Italy. In 1869 the Italian Government, being anxious, like its neighbours in France and Belgium, to provide small agricultural cultivators with cheap and easy personal credit, by a special law authorized the formation of *banche agricole*, very similar in constitution and practice to the French *comptoirs d'escompte*. In 1882, of the thirty-odd *banche* so established, all but nine had collapsed. Of those nine only two were doing any business to speak of, and that, as it turned out, only owing to special circumstances acting in their favour. One would have thought that in that district surely there could be no demand for credit. Yet, scarcely had M. Luzzatti's *banche popolari* set up their tables on the same seemingly barren soil, but business flowed to them from all sides, and they grew in a few years to be most successful establishments.

In Berlin, where the late Emperor William's money, granted in 1865, on Prince Bismarck's urgent recommendation, to endow socialist associations of the Lassalle type, proved a hopeless waste, and where those philanthropic loan banks already referred to had to close their doors for want of business; and in Thuringia, where the banks supported by the various small Crowns accomplished very little—the Credit Associations established by Schulze-Delitzsch have thriven quite remarkably.

One very striking and characteristic instance comes to me from the Grand Duchy of Saxe-Weimar. There, in what not long ago was a forlorn district, something like a rural Seven Dials, stands the erst forsaken village of Frankenheim—poor, neglected, it was, with tumble-down houses, all of them heavily mortgaged, badly tilled fields, and an uncouth, barbarous-looking race of inhabitants, rightly or wrongly reputed capable of any misdeeds, and possessing some few famished cattle, nine-tenths of which really belonged to the "Jews." In pity the Grand Duchess had some model dwellings set up, erected at comparatively considerable cost, but to be let at a nominal rent of 30*s.* a year. The

success was not particularly encouraging. Some time after, the Lutheran vicar of the parish resolved on trying the effects of a Village Bank of the Raiffeisen type. With the help of the money so secured—on these poor people's own collective credit—he built houses, each of which, with the ground upon which it stands; and the garden surrounding it, cost a little under £60. For these houses the occupiers are required to pay rent representing 4½ per cent. interest, plus $\frac{1}{15}$ or $\frac{1}{20}$ of the principal each year, by way of sinking fund, therefore in all, according to circumstances, either £5 12s. or £6 12s., in consideration of which the houses become their own after a certain period. All these houses have been readily taken up, the tenants pay their rents regularly and, thanks to the money brought into the village, the whole face of things has become changed. The dwellings have become decent, the gardens well kept, the fields well tilled, the "Jews" have been paid off, the cattle are well fed, and the human inhabitants are known throughout the country as orderly, well-conducted, industrious, saving and thriving folk.

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

Hence those ruinous losses, by repeated default, in the French philanthropic funds founded by the State, or the Emperor, or the Empress.

Wherever, on the other hand, the lending institution has been the borrower's own genuinely popular and genuinely co-operative creation, there has been found to be no more regular and more scrupulous repayer than the small man. Even the French *Crédit Agricole*, which was but moderately "popular," has not lost a penny by its peasant customers, as the late M. Josseau has appreciatingly testified. The debtor who wrecked the institution was the Khedive. The peasant may be tardy in his payment, so says M. Garreau in *Les Sociétés Coopératives*; but once his sense of responsibility and honour is aroused, he is sure to pay. Similar testimony comes from all quarters. In Germany we have Raiffeisen bearing witness, whose banks never lost a penny, in Italy M. Luzzatti; in Portugal Senhor Costa Goodolphim. In Italy, in the *casse rurali*, ministering to the poorest of the poor, not a centesimo has been lost. Emigrants send in their debts from America, and when by chance a man is so hopelessly out of pocket, through things going wrong, that he really cannot repay, his fellows with a creditable sense of class honour make up the amount. It is just the same thing in America. What the "People's Banks" were which flourished in the United States before the Civil War, to revive in later time practically as Building and Loan Associations, we do not quite know. There is no precise record left of their operations. Except in New York, where they were made the instrument of reckless speculation, they did well. And evidently they dispensed more personal credit than do their modern antitypes. For we find the Commissioners appointed by the United States Government to inquire into their practice and success reporting that they have "demonstrated beyond doubt that, with equal prudence and intelligence on the part of the lender, *loans to the industrious and economical poor are as safe as those made to any class whatever of the rich.*"

By what methods such "prudence" should be exercised Sir Robert Morier has very accurately pointed out in his

paper alre dy referred to. He mentions as the three main conditions of success, the pillars upon which the credit structure must rest, the following:—(1) Maximum of responsibility; (2) minimum of risk; (3) maximum of publicity. Perhaps the elements of successful organization might be better grouped under other headings, but in substance it would come to the same thing. However, beneath those supporting pillars, experience—ample by this time, alike on one side and on the other, confirmatory and refuting—has made it quite plain that, if the fabric is to stand and to show itself equal to the burden placed upon it, there should lie a foundation which makes the structure entirely popular, familiar to those who are to use it, and created by themselves, a thing with which they can identify themselves, therefore co-operative, and in the best sense "democratic." "*Avec les banques populaires,*" so said the late Léon d'Andrimont explaining the fruitful work which he has accomplished in aid of the poorer classes in Belgium—"*le crédit est démocratisé.*" "Capital," he goes on, "which was previously beyond the reach of workers, has been brought close up to their doors." Making this principle his own, Léon Say affirms the object of People's Banks to be—"*la démocratisation du crédit.*"

That hits a weak point in our economic system. We pride ourselves, on both sides of the political boundary line, upon our "popular" institutions, which make us, as we think, the most "democratic" nation in Europe. Nevertheless in respect of the main supports of the two great divisions of our economic fabric we are distinctly anti-democratic. As the basis of agriculture we have land laws which, for good or for evil, are, from a democratic point of view, much behind those of other nations. And as the basis of commerce we have Credit still almost the monopoly of the rich. We do not, accordingly, know that which, thanks to their People's Banks, the Germans and Italians have well learnt, namely, what an ample and practically inexhaustible resource of productive power there lies hidden in the labour, the frugality, the honesty of the nation's workers, as material for what M Luzzatti calls

" capitalization "—just as people who have not seen rivers like the Mississippi or the Ganges could not possibly estimate from the little rills and driblets which go to make them up what a vast volume of water may be collected from those insignificant sources. It is the object of the founders of " People's Banks " to bring those scattered streamlets together, to give them aim and force, and by doing so to make the very droplets which compose them more fruitful, more productive—by the sense of responsibility awakened, the principles of business instilled, the knowledge of dealing with money and an appreciation of its productive power diffused. It is quite true, as Dr. Johnson unkindly reminded Goldsmith, that it takes 240 poor men's pence to make one capitalist's sovereign. But once the sovereign is so put together, it is a totally different sovereign from that taken out of the rich man's purse. It has behind it 240 wills, 240 pairs of watchful eyes, 240 thinking brains. It has, so to speak, become an animate sovereign, with prudence, energy, vigilance, diffused through all its parts. Every spring, every wire of the composite machine takes a personal interest in the collective doings, watching the other parts, guarding against loss and waste, correcting the slightest irregularity. And the more completely the distribution is carried out, the lower the " democratizing " organism descends, so as to gather up from the lowest strata all available and useful elements, the more fully, so we see in the practical application of the principle abroad, does it realize its beneficent aim. Not without reason, accordingly, did M. Luzzatti inscribe upon his banner, when he started on what proved to be a triumphal progress of economic success, the apt motto: *Aspirare a discendere.*

CHAPTER III

THE TWO PROBLEMS

IT may be well, before entering into a detailed explanation of the several systems of co-operative banking which it is proposed here to discuss, to consider briefly the general nature of the task to be dealt with.

Obviously such task is not a simple one. There are more problems than one rolled up in it. Employment, surroundings, class, locality, all these things necessarily impress their own distinct stamp upon the organization adopted. For practical purposes it will be found that we can well group all the objects to be kept in view under two great heads.

The object which we now have to keep in view is the main object for which co-operative banks are likely to be formed, namely, that of making credit accessible on the cheapest possible terms to those to whom the road to credit is at present barred, whatever be the cause, whatever also be their occupation, their surroundings, their position in life. Now, to employ a Francogallicism, whoever says "credit" thereby says "security," because without adequate security there can be no legitimate credit. And other than legitimate credit it is not desirable that there should be. It is therefore an entire mistake to look, as unfortunately not a few among us still do, on a purely superficial consideration of the subject, to *money* as the prime requisite. Money is always to be had. Money abounds in the world and scents out opportunities for investment as a fox scents out its prey. "Money," so the late Lord Salisbury truthfully put it on one occasion, "is so plentiful that you can

hardly get money for it. It is overflowing in the coffers of capitalists and the bankers." Money will be got, once you provide the magnet which never fails to attract it. And that magnet is security.

Now we are in our assumption thinking of a public among which "security," in the accepted sense of the term, is likely to be anything but plentiful. Possessions of some kind or other no doubt there will be. There is nobody likely to be found utterly destitute. And out of such small possessions, insignificant as they may appear, viewed by themselves—or, more probably out of daily earnings—contributions may rightly be asked, to add, by the adjunction of ringing cash, to the security already provided, as we suppose. At the outset, however, there may be only very little of such ready money producible, not nearly enough to serve as security for the loans to be raised. Nevertheless, there *is* security present; however, that security is present only in scattered driblets, and in a shape which is not currently accepted. To make it available you have to gather your driblets together and put what is still only latent into a visible and tangible shape. Among the accepted customers of ordinary bankers' or capitalists' credit there is no occasion for doing this. These men have their substantial pledges to offer—it may be specific objects of value, or else their entire, more or less known, fortune. Our less richly endowed people cannot help themselves in the matter except by clubbing their slender resources together so as thereby to produce a pledge sufficient to tempt the capital desired, be it in the shape of the millionaire's substantial loan or in that of poor men's modest deposits. The shape in which the money is provided is immaterial. However, if the desired credit is to be got, security—substantial, real, and attachable security—there must be. And such security must of course be as fully, or all but as fully, secured to the person who contributes to its creation as to the capitalist whose advance or deposit is invited. In truth the enforcement of security for the protection of the giver of money or liability should, like charity, begin at home.

There is no denying the existence of a difficulty in all

this. But that difficulty has been got over by what may be said to be an imitation of an essential feature in our national banking system. In our banking system we make things easy, while keeping them businesslike, by making the most of a comparatively small quantity of ringing gold. That system of banking has been pronounced to be the most perfect, which to the greatest extent economizes cash. That means no evasion of the principle that debts should be paid in gold. In a similar way in "democratized" credit we make the most of what tangible security there is, in order to diffuse its effect over the widest possible area. Once more, there is no evasion of businesslike principle in this. That means, of course, that, just as in our dealing with cheques, as a substitute for gold—which demands additional labour in the keeping of accounts—an additional element of personal exertion has to be brought in to eke out what is wanting in tangible security.

The matter may perhaps be best illustrated by reference to a long accepted Scottish banking practice which has undeniably served to provide easy credit in a most profitable form for a large class of people not over-well endowed with bankable security, to the great and lasting benefit of their country—which practice may in truth be looked upon as the first germ or parent of co-operative credit. That practice is "cash credit," which has, as its eulogists rightly boast, "in the space of a hundred and fifty years raised its country from the lowest state of barbarism up to its present proud position," covering it with flourishing farms, raising up entire towns of busy factories, and filling its harbours with well-freighted vessels.

Scotch cash credit—so it may be as well at once to point out—is, as the late H. Dunning MacLeod has been careful to show, not altogether the same thing as our English overdraft, although the underlying principle is identical. It is "reduced to a much more regular system, and governed by its own methodical rules and appropriated to certain particular purposes." In truth it has been expanded into a widely extended practice, instead of remaining—like the English overdraft—reserved only for very occasional use.

as a comparatively rare infraction of a general rule, not commonly appreciated by our bankers.

The fact that in Scotch cash credit we have to deal with a current account opened, whereas co-operative credit distinctly began with specific loans, and is in many cases still confined to such, leaves the principle untouched.

The practice of Scotch cash credit is this, that in consideration of security given by bondsmen approved by the bank, the latter opens a current account to a person, who draws out accordingly, within the limit set, such sums as he may require, paying interest only on the amount actually standing to his debit. That means that the bank in any case has its good and sufficient security. The guarantor likewise has his—though that is no affair of the bank—as the following description of the system, taken from the Report of the Lords' and Commons' Committee appointed in 1826 to inquire into the "State of Circulation of Scotch and Irish Notes" will show.

"There is one part of this system," so this Report says, "which is stated by all witnesses (and, in the opinion of the Committee, is very justly stated) to have had the best effects upon the people of Scotland, and particularly upon the middle and poorer classes of society, in producing and encouraging habits of frugality and industry. The practice referred to is that of cash credits. . . . From the facility which these cash credits give to all the small transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character, to employ profitably the minutest products of their industry, it cannot be doubted that the most important advantages are derived to the whole community." "The witnesses whose evidence we have quoted," so the Report goes on, "stated that they calculated that the number of persons who had cash credits granted to them amounted to about 10,000 or 11,000, and, as the average number of securities to each bond might be taken at three, there were about 30,000 persons interested as securities; so that the total number of persons at that period interested in the system was at least 40,000. The banks were then

supposed to be under engagement of that sort to the amount of £6,000,000, of which about two-thirds were drawn out. . . . "This system has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct; and if they find that they are misconducting themselves, they become apprehensive of being brought into risk and loss from having become their sureties; and if they find they are so misconducting themselves, they withdraw the security." "The practical effect of which is," so says one witness quoted, "that the sureties do in a greater or less degree keep an attentive eye upon the future transactions and character of the person for whom they have thus pledged themselves; and it is perhaps difficult for those who are not intimately acquainted with it to conceive the moral check which is afforded upon the conduct of the members of a great trading community, who are thus directly interested in the integrity, prudence, and success of each other. It rarely, indeed, if ever, happens that banks suffer loss by small cash accounts."

In this way the guarantors' tangible security is safely and very advantageously made to cover the cases of those of their friends who have no such security to offer, but over whom their bondsmen exercise sufficient control to be able to hold them to their duty. Without control of this sort, of course, they could not be reasonably asked to give the guarantee.

It is the linking together of close local and personal knowledge, which can discriminate between good cases and bad, deserving borrowers and undeserving, the joining of interest, of responsibility entered into, with the power of enforcing responsibility in others, which supply backbone to the system. There must be touch, power of control, knowledge of members among one another, and a common interest, which carries the security of the pledge given far beyond what a writ or a summons could do.

The method therefore to be sought in our case as a solution of our problem is, to construct such relations between possible guarantors and possible borrowers as will suffice for the purpose in view.

At this point the case of co-operative banks ceases to be on all fours with that of cash credit. For, in comparison with the former, cash credit is a decidedly capitalist, and therefore narrowly restricted, practice. It has done great things for Scotland—which is a promise *a fortiori* for even more extended good on a humbler, but at the same time much wider, and in truth, by reason of its popular character, a far more richly fruit-bearing, ground. Cash credit deals with sums which never in any case, so the late Mr. Michie advised me, are known to descend below £50, rarely below £200, and which run up to £2,000 and £5,000. For co-operative credit, with its much wider ramifications, and its subdivision into a mass of very modest amounts, the simple apparatus employed for cash credit would be altogether inadequate. Among such a mass of petty business an ordinary banker being called upon to deal with it would become bewildered to the point of feeling utterly at sea. There must be something larger, more subdivided, with a Briarean equipment of hands. However, the root principle of the safeguard established remains the same.

The link established to meet the case of co-operative credit is that of a considerably larger number of guarantors —many of whom naturally will be less substantial than under cash credit—held together in a common bond, and placed as a safeguard between the original borrower and the ultimate lender, securing themselves as against the former in precisely the same way that the Scotch banks secure themselves against the opener of a cash credit, and answering the latter collectively with their joint security rendered adequate by numbers and by the impressment of personal supervision of a searching character.

We shall have to realize, in this connection, that, in either of the two typical cases now to be dealt with, the institution providing credit to the humble borrower will have to be brought very near to the latter's door—near in varying degrees, but in any case near enough to make resort to it practicable without a severe tax upon his person. The sums to be dealt out will not bear a heavy sacrifice of time or travelling. To the borrower time and trouble are likely

to mean money. Also remoteness of the lending institution is likely to mean the opening of a most convenient door for abuse, and equally so for usury in a connection in which abuse ought to be strenuously guarded against and usury to be combated. In Léon Say's words, *l'usure ne peut être combattue que de près.*

Next, it will have to be borne in mind that, in addition to the clubbing together of material resources—which are not in any case likely to be sufficient for the purpose—there will, as already intimated, certainly have to be an inter-connection of liability among members—which is what Sir R. Morier meant by his postulate of a " maximum of responsibility "—whether such inter-connection extend to financial liability in the literal sense of the term, or whether it be limited to common but direct responsibility for good management, the presence of which, being made known by the " publicity " likewise postulated, immensely increases the security which a credit institution is allowed to avail itself of without any addition to its capital.

Still standing upon common ground, it will furthermore have to be insisted upon that business should be conducted only on genuinely *businesslike* lines. It is the sense of responsibility awakened, as Sir Robert Morier has rightly urged, which constitutes the pillar of security. And every weakening of such sense of responsibility is sure to detract from the security given, if not at once, certainly in the long run.

As already observed, the work to be accomplished, the raising up of a system of credit without fairly considerable capital, involves difficulties. There is, as all organizers of co-operative credit from Schulze-Delitzsch and Raiffeisen downward have experienced, rough ground to be got over, across which it is not unnatural that ardent co-operators should wish, if possible, to discover a short cut. So they have devised methods of charitable assistance ; or else they have impressed the aid of moneyed people—people not likely to require the services of the bank for themselves—as ready providers of cash, admitting them by some preferential title. All this is bound to denaturalize the institu-

tion which it is intended to benefit, and so to work harm instead of good. For charity, which weakens instead of strengthening moral fibre and the sense of responsibility, there cannot, on any consideration, be a place allowed in the organization of a co-operative bank. It teaches men to look for help to doles rather than to their own effort. The separation in the society of capitalists' interests from borrowers' is bound to prove even more hurtful, with whatever kindly motives the process may be begun. While those motives last they mean, as in the first case, charity. However, no one can guarantee that they will continue for ever. And as soon as they cease to prevail, the distinct position assigned to capital, more especially if there be preferential rights coupled with it, must mean creating two interests within the society, where there should, and consistently with good practice can, be only one—viz., the potential borrower's—setting the interest of the lender, who always is the stronger, against that of the borrower, who invariably is the weaker, that is, creating within the bank the very state of things which the bank was formed to remedy. The cause of misdirected attempts to form co-operative banks—of which there have been not a few —is that people want to win their cake without climbing or running for it. They would perform the pilgrimage, but the peas in their shoes must be boiled. The consequence is that they walk to no purpose ; for there can be no pardon for walking on boiled peas. *Ardua quae pulchra.* There must be an expenditure of effort, a struggle against winds above and the " pan " below, in order that there may be a firm root to the tree. The early struggles tell whether the bank is wanted in its place and whether the people who compose it are capable of working it ; they teach members, as nothing else will, how to avoid risk and to study security. They create security, which means an abiding command of money. There is plenty of legitimate scope in a co-operative bank for assistance from moneyed people. But it is essential for the success of the bank that such assistance should be given in a business-like way and that the people who give it should take their places within

it along with the other members, on precisely equal terms. There is ample protection for their money possible on such lines. But there cannot be two interests.

Up to this point our two problems have marched on common lines.

The division between them begins when we come to a marked difference of circumstances prevailing in two distinct quarters, between which it is not difficult to discriminate. It is those circumstances which determine the division—not, as is sometimes assumed, a distinction of callings. By an easy, but altogether misplaced substitution of the word "agricultural" for "rural" an attempt has been made to convert what was intended as a help for struggling humanity generally into an aggressive weapon wherewith to fight for the specific interests of a distinct calling, to the detriment of other callings. Unfortunately such attempt has in more instances than one proved successful. Co-operation has thereby become the loser without agriculture really becoming the gainer. For the temporary benefit which certain persons of the larger order of agriculturists have secured has only made their calling generally worse qualified for battling, in the future, with adverse circumstances—whereas the object of true co-operation is to fit people the better for such effort. The most conclusive proof that it is not the calling of agriculture, but the peculiarly helpless condition of the poorer classes inhabiting country districts which calls for distinct treatment, is that all those who really constitute "agriculture"—that is, the men practising it as a calling, not simply cultivating a petty plot because they have to live in the country and must have potatoes and vegetables to nourish themselves with—as a matter of necessity fall back upon that particular form of co-operative credit which is frequently, but not by any means rightly, identified with urban surroundings. So it is in Italy, where the larger farmers practise the Luzzatti system; so in Germany, where the Schulze-Delitzsch system renders most substantial services to the higher walks of agriculture; so, once more, in Germany, among the peculiarly agrarian societies grouped together

under the leadership of Herr Haas, which from year to year move further away from the Raiffeisen principle, of "no shares"—and nearer to the Schulze-Delitzsch ideal of large shares, mounting up to £25 and even £50. So, once more it looks as if it were destined to be in Ireland, after the Raiffeisen system has rendered good service in raising farmers to a higher financial level. The calling of agriculture does make certain distinct demands upon credit, as we shall see. However, all these are perfectly reconcilable with the more commercial system of co-operative banking, so far as they are not complicated with adventitious features of poverty and isolation.

In respect of a recognition of "classes" or "occupations" the interest of co-operative banks is all the other way, not in the direction of separating, but of blending. The more various occupations or interests enter into its composition, the more will periodical demand in one interest dovetail into periodical supply in the other, the more strongly will the component parts accordingly be bound together, the broader and therefore safer will be the basis.

The distinction which has to be made is of a different description altogether.

There are, on the one hand, more or less dense populations to be ministered to, or populations with a dense nucleus and outliers sufficiently answering the characteristics of a dense population to admit of being dealt with as such. Such outliers I take to include fairly substantial agriculturists of recognized position. There are, on the other hand, the sparse populations of the ordinary rural parish, and, it may be, some small towns or suburbs, embracing too few to give to a bank the same *prima facie* financial strength, and at the same time less qualified, it would seem, for engaging even in elementary banking business. It will be seen that, although, as a rule, greatly wanting in commercial education, those sparse populations provide elements of strength which stand for very much indeed in the solution of the problem of co-operative credit—on distinctive, but very safe lines. Generally speaking, in the former class, there will be, if not actually greater wealth,

at any rate more available money—whether it be of a small capital already realized or of regular earnings—facilitating cash transactions, even though on the top of it credit may still be needed. In this class of banks the number of members is likely to be fairly large, if not at the outset, at any rate not long after the bank has got into working order. But there is likely to be comparatively little touch among units. The *clientèle* will be a comparatively large, money-earning population, possessed at any rate of some rudimentary knowledge of business, but shifting and unstable, on the individual member of which, accordingly, it may be difficult to establish a very firm hold. Amid such surroundings needs may be large or small, but they will generally be for brief periods and for industrial or domestic purposes only. There may be material to be purchased for the workshop, or furniture for the house, or else money wanted for wholesale purchase of foodstuffs to save expense, or for some little building job, or else cash to enable the borrower to tide over the time till he can dispose of his produce without falling into the hands of "sweaters," or, it may be, money, to get him out of the usurer's clutches.

In the other case the population will be fixed, but sparse. The banks will have to be small, sometimes very modest indeed. Most members are likely to prove uninstructed in matters of business. They are pretty sure to be short of money. They may be genuinely poor. They may hold their small wealth wholly in an uncoined shape, or labour for wages in kind. They will want their loans generally for a long term, because, if independent, they turn over their money slowly—there is only one harvest in the year; if wage-earning, their earnings will be scanty, and it will take a long time to make up the sum. It does not matter, in this respect, whether they are agricultural cultivators or village traders. For the village trader has to adapt himself to the needs of his customers, who are necessarily tardy payers. But such *clientèle* will have this advantage, that touch among them, knowledge of one another, checking and controlling one another, are really very easy and may

be relied upon, and that generally they make a dependable class of persons to deal with.

The specific characteristics of the two classes clearly determine the methods which should be applied to answer their several cases.

In the former class, where you have both numbers and a comparative command of money, moreover presumably a large volume of transactions, a rapid turnover of money, and some familiarity with business, you will be able to rely upon such factors in your organization. However you limit or fail to limit liability, you will have to make a prominent feature of your "small capital of guarantee"—a share capital, that is, paid up and serving as a guarantee to those whose credit you ask—and base your system mainly upon it. You will want to adopt commercial methods of banking, secure skilled management, which you will generally be able to command without difficulty, but which you will have to remunerate, to whatever extent you may supplement salaried services by gratuitous supervision. You will rely more directly upon your directors than upon the shareholders, who are too many in number, and too loose in texture as a mass, to be able to control the business effectively, much more to carry it on. Though not ignoring employment of the loan, you will look more to the man than to his promise how he means to lay out his money. You could not effectually control the latter. Therefore you will have to make all the more sure that you have a solvent and trustworthy borrower to deal with, and place your reliance in a very great measure upon the sureties who pledge themselves for him. And since you can do that, it becomes a matter of less importance, though still of importance, how you select your members. Mere election does not involve any direct risk. Moreover, you may, for the sake of earning the management expenses which you *must* meet, have to do business on some lines or other with non-members, although that is really a questionable practice. Still a bank, to live, must do work.

None of all this would do for a constituency of the second sort. There you cannot rely to any extent upon the petty

contributions of money which the few men whom you enlist can bring to your till, even though there be plenty of money's worth at their back. You must base your system more or less upon liability, the value of which you are in a position to estimate with some accuracy, and which you must study to render more effective by a very careful selection of members. Your man must be absolutely trustworthy. Your transactions are likely to be comparatively few and small. Loans will be demanded for long terms; the turnover will be slight. The margin between incomings and outgoings will be insignificant. You will have to cut down expenses to the utmost, and make gratuitous services the rule; you can the better do this since the call made upon your officers is not likely to be exacting. You cannot adopt commercial methods, which your clients will not understand. But you have all your members well under your eye. You can control every one of them, and make them control one another. You can interest the mass of your members even in the petty affairs of the bank, and so make your machinery more effective by arming it, to repeat my earlier simile, with watching eyes and checking hands at every point. You can effectively check your clients' employment of their loans. You can bring class feeling and local feeling, and moral and social influences to bear. Therefore, if you have to be very careful in the selection of your members, you may also stoop very much lower in the social scale, and admit even very poor persons, so long as you can make tolerably sure that they are honest. Business with outsiders becomes an impossibility. Finally, resting your system mainly on liability, you must apply yourself to strengthening your available capital by carefully raising up a reserve fund, which you can scarcely make too strong.

So stated, the two cases appear—to me, at any rate—fully to explain themselves, and there seems no room for even theoretical antagonism in their respect. The two methods are not rivals. Each directly supplements the other. And, indeed, each seems incomplete without the other. It is satisfactory to think that, after long needless

hostility between the advocates of the two, the view to which I am giving expression is coming to be more and more generally accepted, and on this score peace between traditional rivals seems at length well within sight. Indeed, at some not unimportant points it has already been established. In Italy M. Luzzatti has whole-heartedly given his support to the Raiffeisen Union formed under Dr. Wollemborg, and actually presides over it. In Austria the Schulze Union has accepted Raiffeisen societies as members. In Austria likewise, among the Slav races, composite unions of followers of Schulze and of Raiffeisen are to be met with. Even in Germany the hatchet has at length been buried—opposition to State aid being to some extent the peacemaker—and the followers of Schulze and of Raiffeisen have to some extent joined hands in friendly collaboration side by side. Such *entente* can scarcely fail to go on spreading. In what precise manner the two methods are practically applied in different countries and localities I shall endeavour to explain in subsequent chapters.

CHAPTER IV

The Two Aspects of the Question

As in co-operative banking there are two problems, so there may be said to be also two aspects, two distinct points of view, under which the question may be regarded. That is a feature which co-operative banking shares with every form of co-operation, in which, as a matter of course, a high humanitarian motive is bound up closely with calculating self-interest.

You may co-operate merely to help yourself, to secure, by combination with others, support intended to procure for you personally an advantage, an equivalent direct return for that which you put into the common concern. Or else you may co-operate to help, yourself indeed, but at the same time also to help others, or by your support to place them in a position to help themselves, and, while improving their position, also to raise their character, to unite them more closely among themselves and lead them, with a fraternal feeling shared among all, to co-operate and assist one another in other things, promoting a feeling of brotherhood. You may take your choice between these two principles. They are both legitimate, and both have been found to produce useful results. According as you select the one or the other you will impart a different hue to your enterprise. We have specimens of co-operative work of either species in this country—co-operative associations which measure their success by the direct material benefit obtained, as in a joint-stock company, and study above all things big profits; and co-operative associations which, remaining true to the aim which the early Rochdale

Pioneers kept in view, regard immediate profits only as a means to an end, only as supplying the wherewithal to pursue loftier objects, bringing greater independence, and generally a better position, coupled with a raising of character and a promotion of neighbourly touch and mutual helpfulness to the classes whose cause they have taken up.

The latter principle is, I believe, the most likely to recommend itself to generous minds. It seems to take a broader view of its object, and to aim at higher ends. There is, moreover, by the light of experience, this to be said in its favour, that its success rarely fails to include, like the divine response to Solomon's choice of a blessing, the narrower, more material gain which at first blush it may seem to spurn, or at any rate not seriously to covet. Certainly, also, it is better calculated to generate a feeling of satisfaction, and a propagandist zeal and enthusiasm in its adherents.

However, let us not despise the former principle. It is more prosaic; it appears less generous. But it is the principle which is best understood and recognized. And for economic purposes it has this advantage, that it may be absolutely depended upon. A mere sense of duty may lose its impelling force when that duty begins to grow irksome. Once you make it a man's distinct interest to do a thing, you may depend upon it that do it he will, if to do it be to him at all possible. Nor should we overlook the useful fact to which both M. Minghetti and the late Lord Goschen have called attention, that good economy of this sort is of itself apt to engender also good morals. We have ere now heard it said that the most effective propagators of European civilization in uncivilized countries are, not our missionaries, but our traders. I do not pretend to affirm that this is entirely correct. But it may certainly be said that under the training of good co-operation, and more particularly co-operative banking, sound economy, business habits, mechanical training to commercial honesty, have been found to act as admirable moral educators. When you are dealing with the poor, or the comparatively poor, the mere providing of means for better education,

for the acquirement of greater comfort and a better social position—which, once secured, are sure to be valued—is bound to tend in this direction. But there is considerably more educational power in good co-operative banking.

Now let us consider how the two principles may severally affect our problem. There are leaders in the co-operative movement, founders of co-operative banking systems, who look upon co-operation merely as an economic junction of forces, the binding together of so many sticks to a bundle. They are strong in their protestations of the necessity of pure self-help, by which they mean self-help for individual gain, the self-help in which not a group of weak and strong unite to help themselves and help one another, but in which every person studies his own interest. In this aspect co-operation is nothing but combination resorted to for egotistical ends. Under this principle very much is made of individual effort. Every gain secured is to be entirely *earned*. But the effort made is to benefit the particular person. There is to be a strict debtor and creditor account between the association and its member. The gains from self-denial are to be carried rigorously to the personal account of the self-denying one. Whoever is too poor to contribute his quota in money is roughly bidden—as he has been by Schulze—to remain outside in the cold till he has collected enough to enable him to take up a share. There must be no common fund created, to his proper portion of which each individual has not a distinct and indefeasible right, and from which each individual is not free upon due notice to withdraw his own portion. We often regard this kind of co-operation as pure joint-stock trading. Perhaps it is no more. But it secures very serviceable results. Generally speaking, the largest and strongest co-operative banks which exist have been raised up upon this egotistical, purely calculating, self-seeking system.

Some years ago I was conversing with the manager of a bank of this type in the south of France about his own establishment. M. G—— had little to say in its praise, from a co-operative point of view; for as a business establishment it is sound enough. "There is no co-operation

in it. It is a bank 'like other banks.' *L'esprit de lucre domine tout.*" There are no gratuitous services, no loans of honour to the poor, there is no limitation of dividend, no study of high aims. Members pay in their money, it may be franc by franc, and for so many francs they purchase such-and-such advantages, among which they are taught to expect, as gauge of all, a decent dividend. Surely this is a picture without any attractiveness about it. And this particular bank, I may add, is not looked upon by officers of the best of its sister establishments as a peculiarly commendable specimen of its type. "But have you not made credit accessible to small folk, to whom formerly it was inaccessible?" I asked. "Oh, yes, certainly." "Have you not popularized, democratized, decentralized credit? Have you not taught people to bank, to place their money on deposit and draw it out when they need it? Have you not taught many small folk business habits?" "Oh, decidedly, we have." "Do you not lend money to people who even now cannot go to other banks, say, to working men?" "Oh, yes, distinctly we do. Why, there was a cabinet-maker here only to-day who works for a firm. Formerly he was in abject dependence on that firm. Now he comes here whenever he is short of money, to hold over his goods, it may be, or to buy material, or for household purposes. We have many such."

Are not all these distinctly useful services? Is not the country the richer, the happier, the better endowed with productive power, for them? And are not the bank's own members the better, the more independent, the better qualified for self-respect? Unquestionably banks of this class, which will neither give nor take anything for nothing, which scrutinize their member-customers with a keen, selfish, discerning eye, which think nothing of educating, of helping of elevating the poor, which apply only the hard, cold principle of purely economic co-operation, have rendered perfectly inestimable services to the small trading classes, to agriculturists, to the working population of their countries, and have strengthened the social fabric of their nations just where strength was most needed and tells to best effect.

But now let us turn to the other aspect of the question. There are persons, as everybody knows, who are not in a position to take their place in the former kind of co-operation, who have not the means to take up a share, or at any rate to pay for it in cash, to remunerate directors and secretaries, and allow a handsome reward to capital. Are these people to be left altogether without help? It is they who need it most. And it is they for whom co-operation was really intended, because only by co-operation can they mend their lot. Is it "co-operative" to tell them, as advocates of the first principle have done, that they should go to "charity" and live on patronage till they can manage to scrape together enough to make them "ripe" for co-operation? That is equivalent, in a "co-operative" sense, to sending a man to the inferno in order that he may there qualify for heaven. Your object and your duty is to train him to self-help. And you bid him prepare for it by deliberately estranging himself from it! Persons in this condition can co-operate like others. But in the same proportion as their needs are greater, are their objects likely to be larger. They want financial assistance badly. To obtain such they have a good deal that they can give, and must expect to give freely—time, labour, attention, application. You cannot procure either money or credit for nothing. But you must in fairness allow the equivalent given to be *value*. It is nonsense to maintain, as has been done, that such co-operation is not self-help. When you give what you *can* give to obtain what you cannot, you are not receiving "charity," but exchanging one value for another. However, all this co-operation to obtain, not profit in return for money, but money in return for exertion, implies objects of a different kind, which are necessary for the purpose, and which, apart from being necessary, persons in this position instinctively feel to be desirable. It brings out the social, educating, moral side of the principle. To people, such as we are now thinking of, the co-operative association or bank becomes, not merely a shop in which goods or credit may be bought, but an economic hearth and home, a school for all kinds of economic action, for business training, and for

higher social virtues, a social as well as an economic money-box. This co-operation, like the other, must be built up upon pure self-help. No serviceable co-operation is possible on other lines. It is the man's own exertion which must purchase every gain. To alloy or adulterate self-help would not only be perfectly gratuitous, it would distinctly defeat the object for the attainment of which co-operation is resorted to. However, I cannot for a moment admit that self-help loses one particle of its economic purity when it is made to embrace a number of men instead of being confined to one. I cannot concede that self-help becomes less self-help when it is impressed in the service of a group of persons who, being individually weak, and weak in varying degrees, and on various points, combine for the purpose of turning their weakness into strength, and supplementing one man's feebleness by another man's comparative power, each supplying his own quota of what he can give to benefit by a similar though different contribution from his fellows. That is the self-help by which a community or a nation rises to greatness. So far from being questionable, it appears to me even to represent the purest and fullest co-operation.

Now, see how co-operation of this kind acts upon the men who engage in it. It knits people very much more closely together; it enlists very much higher sentiments than the mere pursuit of gain. It links interest. It binds people together as with the ties of one single family, bringing sentiment, aspirations, the consciousness of common needs, into the co-operative enterprise. It sets very much higher motives at work. And it opens a door through which others, not needy themselves, wishing to help rather than to be helped, may legitimately come in, helping, but only by helping people to help themselves. Here is the feature which has particularly endeared this kind of co-operation to so many generous minds, and has generated that peculiar ardent enthusiasm which cold-blooded economists wonder at and cannot understand, but which has helped more than anything else to spread this movement and impel it forward. You can now *help without giving.* You can help while carefully safeguarding yourself against the danger

of being made to give—money, that is—while insisting that every assistance rendered in money shall be fully and promptly repaid—help by lending guidance to the unskilled, experience to the inexperienced, time, labour, interest, attention, safeguarded liability, all on a footing of equality. And by doing this you help those whom you wish to benefit infinitely more than by giving them money. This kind of co-operation does not draw a strict dividing line between those who have money wherewith to take up a share and those who have not. It does not, Shylock-like, bring to the business only its commercial ledger and its bond. It does not go into places in which gold chinks freely and discount business is brisk. It goes abroad among the outcast and poor, dropping help into seemingly waste places, and picking up seemingly helpless persons from their misery. It goes into the villages where money is scarce, and the other kind of co-operation difficult. The structures which it raises are not as large or as resplendent with gold as those built up under the more commercial system. But on its own modest lines it does a great deal of good, and good which absolutely no other agency could accomplish. Surely I need not stop to explain why it is that those who work for the principle last described seem generally fired with a peculiar, fervent, and contagious enthusiasm. They feel, to quote the words of Father de Besse, that they are engaged not in an affair of business (*une affaire*), but in a good work (*une œuvre*); that they are, as F. W. Raiffeisen, the first who applied this principle to regulated practice in respect of banking, has put it, "working for God."

The world would not be the world if such aspirations as these had not prompted in the mouths of rivals unkind sneers at high religious professions, which they judge to be quite out of place in work which is, after all, mainly economic. Nor is it surprising that the altruists should have retaliated by taxing the other side with "greed," and "egotism," and "deliberate dividend hunting." These mutual vituperations are all the less called for since it would be difficult to draw a hard and fast line between various systems, to serve at the same time as boundary

between the several applications of the two principles described. The territories overlap at more points than one, and there is promise of the principles blending in some neutral region. Indeed, in some places it has already been found possible to bring them from war into union. Where this is not possible, surely there is no need of antagonism. There is room for both principles. There are places in which the one is not called for; there are places in which the other could not act. There are people to whom the one system is congenial and the other abhorrent, who would benefit themselves and do good to others, but only in their own strictly businesslike way; and, again, such as could not bring themselves to think that they were doing good unless they made some sacrifice—of time, labour, or liability —for the benefit of their neighbours. Accordingly we may well be content to "give to rigid economy the things which are of economy, and to altruism the things that are of altruism," and allow both systems to grow up and overspread the ground and produce good fruit, side by side.

CHAPTER V

Credit to Agriculture

I HAVE spoken thus far of co-operative credit as a help intended for the poor, in the ordinary and most familiar sense of the word—the wage-earner, the toiler, the man of muscle, whose powers must run to waste unless money can provide both material upon which to set them at work and a stock of necessaries wherewith to keep him alive until his labour may bear fruit in a marketable shape. However, poverty in our present sense ought to have a much wider application. Obviously, it ought to be taken as including every one who has a productive use for money or credit, and yet finds himself unprovided with the one and practically cut off from the other. There are hundreds of thousands of people who in our country come under this description. Their number has greatly increased of late by reason of the amalgamation of banks, which leaves the trader, the farmer, the manufacturer, who used to be able to rely upon occasional money help from his local bank, without such most useful credit, since it does not suit the purpose of the gigantic modern banking concerns to burden themselves with such comparatively small accounts, which are not easily controlled from headquarters.

But there is one great calling, more in particular, to which the above description pre-eminently applies. That calling is agriculture, which, from being a cornucopia yielding almost automatically, not one, but actually those "three" livings of which Lord Beaconsfield glowingly spoke more than forty years ago, has, under the stress of adverse times and a call for intensification, become changed into a business sorely in need of help and, if evi-

dence collected in many quarters is not altogether wrong, in need of help more specifically in the shape of money.

Apparently improved times, the result of the war, with its raised prices, of which so much has been made, as if they signified profiteering, and which are unfortunately offset by a multitude of hampering restrictions, which take a good deal of the gold off the gingerbread—have in this respect in truth brought about rather an aggravation of circumstances than an alleviation. For a farmer cannot produce that "more" which is now required from him as a means of making the Nation self-feeding, without ample money to do it with. Larger production necessarily means larger outlay. And behind the regular farmer, who is to supply us with food, stands the huge host of allotment and other small holders, to practically all of whom easier and cheaper access to money than is now open to them is a necessity, if they are to accomplish the work, for themselves and for the Nation, for which the Nation looks to them.

Additional importance has been imparted to this question by our confirmed resolve to provide for a large number of soldiers returned from the war by settling them on the land. As in every case of small holders settlement, these soldier-settlers threaten to be lost on the land without adequate working capital, such as, it is to be feared, not many of them possess, and as, under the circumstances, only Credit can supply. And, indeed, the less the technical skill with which a settler embarks upon his farming—whatever be the tuition given to him by a solicitous Department—the larger will be the call upon his purse. For his first farming is bound to be to a large extent experimental, which means, that on one or other enterprise money will be lost.

It may be convenient to consider the position of agriculture as an interest calling for credit, if not exactly *in formâ pauperis*, yet at any rate by other means than those which are now available.

Under pressure of advancing times agriculture has long since become, from the easy, self-rewarding occupation which it is understood once to have been, a business of money and enterprise like all other businesses—having the

same tasks set to it, but not the same means at its disposal wherewith to accomplish the tasks. We should probably be in a better position to consider what are its needs could we bring ourselves more fully to realize this fact. We congratulate ourselves upon the amazing growth and development of our commerce, our trade, our industries, our banking. But what resources have we not placed at the disposal of those callings, or else allowed them to secure for themselves! Had we treated them as we have treated agriculture, it is only too likely that they would find themselves in precisely the same backward and depressed condition in which that calling stood before the war. However, we have dealt with them differently. We have fed them with large supplies, alike of money and of instruction and intelligence. We have replaced slow and sparing hand labour by the rapid and creative output of the engine and the loom, multiplying harvests while increasing their bulk. We have introduced perfected machinery, we have removed anachronistic shackles and insisted upon full freedom of practice. We have recast all the organization of the industry, arranged our commerce so as to enable men to take advantage of even the slightest turn of the market, of every opportunity which may offer even an infinitesimal gain. All these things presuppose a larger command of money. They are absolutely impossible without it. But for additional money invested they assure a pretty safe return. And to provide that money we have developed a system of credit which places funds almost without limit at the disposal of the trader or manufacturer of position—credit without which, so every man of business will readily allow, all this huge world of industry could not subsist for a day. The capital of those of whom it is composed would be utterly inadequate to its purpose. So we have created the "acceptance," which buys at pleasure, just as occasion may demand, for every enterprise which promises a profit. And we have added the "overdraft," which is about the most effective help to the business man in practice, who is in a position to command it. Could we treat agriculture in the same way, is it not at any rate conceivable that, what with

production cheapened and facilities afforded for taking advantage of the market and for acquiring those useful implements, that helpful machinery and that forcing "power," which modern invention has made accessible, we might make it fare as other industries have fared? All evidence available on the subject seems to support such a conclusion.

"Agriculture," to quote the words of a Minister of Agriculture, spoken in the Belgian Senate, "is changing, and *must* change. Change is for it a condition of existence. It finds itself to-day at grips with conditions altogether different from those of earlier days, and in such struggle it can have no prospect of success, except by arming itself according to the fashion of the day. We want more artificial fertilizers to-day, and more potent ones. We want machinery and many other things that our fathers never dreamt of. These new appliances ensure a higher yield, but they demand, on the other hand, a larger working capital." Those words, spoken in Belgium, apply to the very letter to agriculture elsewhere, not least so to agriculture in Great Britain. Indeed they have been, since quoted by me, echoed in the Report of the Royal Commission on Agriculture. It may be permissible to instance one or two cases illustrating the truth embodied in them.

The first is that of a small farm held by a Co-operative Supply Association—the Royal Arsenal Society of Woolwich—which in fifty years has grown up from the most modest beginnings to a position of commanding prosperity. The Society thirty years ago decided to purchase for its own use a freehold farm—the Borstal estate—of 52 acres. The farm, which was in a very poor and neglected condition, would, so it is admitted, have speedily reduced any ordinary tenant, coming to the holding with the traditional small working capital, to ruin. The Society came to it with practically as much money as it might need. Now, just let us look at the increase of production which, with the help of its large capital, it brought about. It set up new buildings, it trenched the land two feet deep, gave it a bottom dressing, so to speak, of 60 tons of manure per

acre, in short, it laid itself out for the highest possible farming. It sank a good deal of money in the farm, to such an extent that, what with rates and assumed rent (at the rate of 5 per cent.), it had to write off from £30 to £35 of the gross profits per acre every year on this score. However, as a result it produced magnificent crops—£43 worth an acre of cabbage, £36 of peas, £30 of potatoes, £39 of sprouts, £90 of tomatoes, £90 of marrow, and so on. Its takings from a piggery, mustering from 300 to 350 strong, figured at nearly £500 a year. It had realized £2,283 in one year from its produce. The original loss has been recovered, in addition to 5 per cent. being steadily drawn on capital invested, and a rate of depreciation allowed which soon gave the farm—to state one example—its horses absolutely for nothing. Good "capitalist" farming made the farm pay in spite of bad times.[1]

Similar cases may be quoted from abroad. In the *Journal d'Agriculture Pratique*, M. Zolla has told the story of a farm at Fresnes in the Loiret, which by an increase of working capital was raised from a state of ruin to a condition of fully remunerative prosperity. The farm extends over about 335 acres, and used to be worked on the old-fashioned three-field shift, with a capital of not quite £6 10*s*. per acre. The working capital was increased to £16 an acre. The expenses per acre have grown from about £1 4*s*. to £3 1*s*. By that means it has proved possible very materially to improve the system of husbandry, to manure better, till better, plant 125 acres with sugar beet, and accordingly the profits netted have risen from about 12*s*. to more than £2 per acre. And in consequence of this change, not only is the tenant better off, but he employs more labour in the bargain, and pays it better.

A very similar case was some time ago reported upon at Weende, near Göttingen, by Oekonomierath Beseler, who, by similar methods, converted his property of Dippoltshausen from a "white elephant" into a remunerative investment.

[1] The farm has since this was written had to be appropriated as building land for workmen's dwellings.

But let us look at things more generally. We have had a Royal Commission sitting to inquire into the griefs of agriculture. If the evidence collected teaches anything, it teaches this, that wherever in agriculture there is ample command of money for working a farm, for manuring, feeding, cultivating, and holding over produce, just as circumstances may dictate, without stint and without limit, the effects of distress are, to say the least, very much mitigated. We might almost, applying the word "worth" of our commercial English terminology, say, in a new sense, with the Berrichons, *tant vaut l'homme, tant vaut la terre.* I may add that men of business, who have habitual dealings with farmers, have, in addition, long since discovered that business ability and business habits, a capacity for forecasting and reckoning up results and proceeding accordingly, and for keeping accounts, which Paul Leroy-Beaulieu terms "the soul of business," constitute the most potent factor making for success, that, in spite of all his technical experience, it is not the old "leather-jacket" farmer, well versed in the rule-of-thumb lore of practices handed down by his ancestors, who best weathers the storm of periodical troubles, but the cultivator who possesses business knowledge and has the habit of calculating, purchasing, adapting himself to altering times and changing markets, even if for technical learning he be dependent upon others, whose services are always to be bought.

The upshot of all this appears to be that, if we want to improve our agriculture, we shall have to place it in the same position in which we have put its sister callings, and, as I have ventured to call it on another occasion, "industrialize" it—call in the ledger and the ready reckoner to take their places by the side of plough and grubber, and, as a means of making "intensive cultivation" possible, open to it a drawing account proportioned to its requirements.

Proceeding further, and applying this lesson in practice, we shall obviously have to distinguish between two kinds of agriculture. There is the *small* man, whom our neighbours think of chiefly when they talk specifically of the

need of agricultural credit. In his case the question seems scarcely to call for argument. It stands to reason that to cultivate to advantage the land which we are, most of us, at any rate, professedly willing to place in his possession, he must have the use of money. He must buy his implements, manure, and seeds. He must have the wherewithal to live while his small crop is ripening. We know that he can secure a remunerative return for such money. We discover it when we inquire into the results of small cultivation. We show that we know it by doubling and trebling the rent charged to the small man in comparison with the large. Even though weighted with this additional charge, he finds the acre or two worth keeping and cultivating, making them yield in milk and potatoes, even in corn, what will repay him for his labour and outlay. Thus, in return for an exaction which is not always fair, he helps to teach us a lesson which it is odd that as a nation we seem so firmly resolved *not* to learn. There is scarcely a land agent who does not admit that in these trying times small farms and small holdings pay out and out best. And, in the bargain, small tenants as a rule pay their rents most promptly, often in advance. The trouble is, how to convert large holdings into small. Money is wanted to do that. And for employment in agriculture even large landowners have difficulty in raising money, even though it be admitted that the additional outlay would amply repay its cost. Thus we are brought back to our first problem of credit to be created—agricultural credit, in this instance, to serve the requirements of landlords, for improving or subdividing their estates, such as experience has shown can by a good system of agricultural credit be provided cheaply and without difficulty.

I have, some time ago, related[1] some encouraging results obtained abroad by wholesale division of large estates into small holdings by the agency of, though without any pecuniary help from, the State.[2] The method adopted represents

[1] *Contemporary Review*, May, 1895.

[2] Some such help has subsequently been given, evidently for political reasons. The main agent in the movement has in conversation with me pronounced it superfluous.

the greatest advance made in Germany, in agricultural economy, since the legislation of Stein and Hardenberg. In this case money is furnished to effect the conversion in whatever quantity it may be required, without a tax being laid upon any one, to the material benefit of all concerned. But even after all this has been done, when the roads and drains and buildings have been provided, it is found that the small holders, coming to *good* land, ready laid out for them, with comparatively full purses—since they are required to show that they are possessed of a certain minimum sum of capital—need additional working funds, if they are to do full justice to their opportunities.

In Italy precisely the same discovery has led to relief in a case perhaps even more telling. The Government was long distressed about the unsettled state of the wild forest stretch of Montello in Venetia, which was peopled with disorderly hosts of gipsy squatters. To convert these people into an orderly and settled population the Government gave them free holdings in that forest, which was public land. The gift proved of no avail. The gipsies soon deserted their holdings, which they had no means of cultivating to advantage, and turned themselves loose once more. Then it occurred to M. Chimirri, who was at the time Minister in charge of Crown lands, to sell off part of the area which had been designed for their settlement, and to employ the purchase money so realized as a fund wherefrom to make advances to the gipsies resettled on a portion only of that land. The remedy proved strikingly effective. The gipsies settled down and became decent and orderly folk, and the erewhile wild forest has now become a civilized and progressing district—all owing to the provision of money. There is surely no need to argue the point any further with respect to these small men. Their want of money is written large upon all their economy; and their power to do justice to credit, provided that it be granted on fair terms and under proper safeguards, is as amply testified.

However, although with the advent of the Allotment and Small Holdings movement small farming has made good

its claim to our attention, in the main to our British mind "agriculture" still means a different thing. It means the calling of the *farmer*, the man who habitually complains of his want of money, but yet protests that to borrow money at 6, or 5, or 4 per cent., while he is netting scarcely 2 or 1, or even 0, on what he has invested, cannot possibly be good business. Farmers are notoriously bad account-keepers, and it may be that that 2 or 1 per cent. includes some "living" which ought not to be charged to the farm. But let that pass. Possibly our large manufacturers might find their factories as unprofitable "one-per-cent." concerns were they to endeavour to work them with a capital proportionate to their establishment in the same ratio in which that of the struggling farmer is to his farm. Take a farm at its very worst—worked out, full of weeds, understocked, undrained. I put it to the most sceptical pessimist, whether on that farm some *one* point could not be discovered at which additional outlay would be, humanly speaking, certain to earn a profit. If it be but the additional food that could be given to a pig, which can always be counted upon to make a return, there would be 4, or 5, or 6 per cent., surely, if not more, earned on that outlay. And the farmer would be the better for such small profit, however embarrassed he might continue otherwise. Probably there would be a good many more opportunities for the profitable employment of money open to him. That swampy, moss-grown pasture would repay draining and liming. That starved, couch-entangled field which now bears a thin, withered crop of wheat, which in the balance sheet must spell a certain loss, would return good value for a dressing of superphosphate or some other manure. It now barely repays the expense of cultivation. That expense would not in itself be increased by the addition of a good dressing of manure. Reckon up the difference between the bad crop and the good, and see if the surplus value does not pay fair interest on the money outlay and leave a profit, however small! Many crumbs make a loaf. Some excess labour employed at the right time, the purchase or loan of a machine, new drainage, the mere holding over

of produce when prices are ruinous and money is wanted —all this, if the requisite money be but available at the proper time and on fair terms, may improve the farmer's position, very little it may be—but when things are bad every little helps. We import annually huge quantities of the smaller farm produce—apples, milk, potatoes, vegetables, etc.—from abroad. The chances are that with a larger working capital our native agriculture might raise that and more, and so keep the profit for itself. Though we cannot everywhere compete with the foreigner in cheapness of rent or of labour, we can produce larger crops per acre. And we can successfully compete in the command of money, which is more plentiful and cheaper here than elsewhere. And the question is, whether with the help of money, meaning businesslike and highly productive farming, we might not on some points beat our competitors in the race.[1] We talk of the ruinous effect of "gambling in wheat." At the first International Co-operative Congress, Rektor Abt, of Brugg, pointed out how, by means very similar to those here advocated, such gambling is kept in bounds, if not altogether prevented in Switzerland. Then there is the question of stock. Keep is plentiful or short; stock is excessively dear, or else dirt cheap. There would be nothing in these fluctuations if you could take advantage of them—quite the reverse. But instead of being the person to profit, by reason of your want of money at the right time, you become the victim. When keep is plentiful you cannot afford to buy stock. When stock is cheap you have to sell it. Find a bank to draw upon which will lend you the money at a fair commercial interest, and these troubles may become to you sources of direct profit. You may do as does the merchant or the stockbroker—you may buy things when they are cheap and sell them when they are dear. In the great drought of 1893 Agricultural Banks helped not a little to moderate the loss sustained by the German peasantry.

I have before now quoted an example which appears to me singularly deserving of notice in this country, as

[1] See my *The Future of Our Agriculture.*

showing the way in which credit has been made actually conducive to profit to farmers situated very much as are our own. A record of it may be seen in the official publications of the French Ministry of Agriculture. But I have been to the spot. There is not a bit of the Continent which resembles our own agricultural counties like the country of the Nivernais in France. What with its large properties —there are some of over 30,000 acres—its tenant holdings, ranging generally from 125 to 1,250 acres, its leafy forests, its green hedgerows, its lush pastures, and its wholesale cattle-feeding, that Department might be taken for a part of Sussex or Surrey. The farmers live by fattening cattle —cattle of a local breed noted for its early maturity and the tenderness and delicacy of its flesh, which qualities make the beasts highly prized in the Paris market. There is a well-established method of working these farms, which is still adhered to. The grazier purchases his lean stock in February or March to prepare by a few weeks of stall feeding, then turn out to grass, sell in August, in order to put fresh beasts in their places, and dispose of the second lot in October or November. That is considered very fair business, and on every bullock the farmer is supposed to net about £3, after allowing for the cost of keep. M. Giraud, when in 1865 he took charge of the local branch of the Bank of France at Nevers, found that for want of money these farmers were not turning their land to adequate account. The pastures were generally understocked. Perhaps M. Giraud would not have been quite so eager to remedy the defect had he not at the same time discovered that the very same cause which hindered farmers in their calling also seriously inconvenienced the local banks. There was a great "draw" of money in early spring, which emptied the tills. Then in August there succeeded a general scramble, money coming in and going out, causing a great deal of trouble and bringing in very little profit. And in October and November in poured the money realized on the market, in huge unmanageable masses, to embarrass the banks with a plethora all through the slack season. A little ingenuity enabled him to set the matter right, and

kill two birds with one stone. To farmers known to his bank he was willing to advance whatever money they might require for the purchase of stock, on their acceptance only, backed in every case by two other good men, for three or four months, with one renewal for the same term allowed as a matter of course, at 1 per cent. above bank rate plus a trifling commission. Farmers not personally known to the Bank of France were required to send in their acceptances through their own local banker, backed by that financier and by another person besides, and they would be served for the same term at a fixed rate of 6 per cent. That meant that for the very time for which graziers wanted money to buy, fatten, and sell two lots of beasts, they would be supplied with it at a moderate rate of interest, enabling them to earn an additional profit. Farmers were not slow to turn this offer to account. The new practice spread, and in a little time became an undoubted success. When, ten or eleven years after, M. Giraud was promoted from his managership to a higher post, elsewhere, he found that in the way indicated he had lent out in all between 130,000,000 and 140,000,000 francs, netting the additional 1 per cent. interest on behalf of his bank, and putting, as he himself estimates, not less than 25,000,000 francs—£1,000,000—into farmers' pockets. And the transaction proved perfectly safe. Only in one instance did M. Giraud's bank suffer any loss; and then he admits that it was by his own fault. He had failed to satisfy himself that the borrower's rent had been paid. As it happened, the borrower was heavily in arrear. And so, very naturally, the landlord swooped down by distraint upon the cattle, representing £2,000, seizing them to the loss of the bank.

I might couple with this example, which surely is to the point, similar instances culled from actual experience in Germany. In that country it is the potato distilleries, providing a mass of fodder—the refuse mash—free of cost, or at any rate very cheap, during the winter months, which furnish the groundwork upon which to build up a profitable credit transaction. The distilleries take care of themselves. An advance is always readily obtainable on the spirit to

be delivered, sufficient to keep them going. But the refuse fodder would be valueless to many a farmer, if he could not buy his lean stock on credit, to fatten and sell for money, and so to repay the first outlay out of the proceeds of the fattening. Exactly the same practice prevails in Austria. No doubt something of the same sort may be done here, but at what price and with what trouble? The profitableness of the thing lies in the fact that these have become recognized ordinary transactions, like a manufacturer's purchase and working up of materials, practicable at a commercial rate of interest, without any admixture of a sense of obligation due on the borrower's part—beyond the obligation of repayment. There is nothing of "favour" in the matter; the borrowing is done as a matter of mere business. The drawer being "good," his bill is taken without the slightest demur.

In spite of objections which still may be heard, I think that the fact is now little disputed, that the command of more money for working capital distinctly constitutes an urgent need of agriculture in Great Britain. The press has, I think, been unanimous in drawing this conclusion from the evidence given before the Royal Agricultural Commission and other Commissions and Committees which have followed. And such practices as the following—which does not stand alone—go to show that the conclusion cannot be far wrong. A landowner in the Western Division of Sussex, well off for funds, recognizing the fact that farmers want more capital than as a rule they command, advances to his own tenants, if they ask for it, money up to the actual amount of the "valuation," and considers that in so doing he furthers his own interest as well as theirs. The effect of the loan granted at 5 per cent. is not actually traceable in higher rent. But, in my friend's words, written some years ago, "in the hard times of the last few years it has enabled me to let all my ground satisfactorily." "The point I want to make out," so he goes on, "is that high valuations cripple the farmer when he enters upon his farm, and he is obliged to borrow the money, and has nothing in hand to work with. That means, as I have

said, that farmers *require more working capital* than they possess." The landlord in question assures me that agents of adjoining estates entirely agree with him, that his system is deserving of imitation. Unfortunately it is not every landlord who can afford to do the same thing. And why should the landlord advance both land and money? It is unfair to him to ask him to do so, and, from the tenant's point of view, such action is liable to abuse. The proper body to advance money is a bank, which has means of making good its security, such as the landlord does not possess. My friend—who himself is a banker, a partner in a large bank doing business abroad—fully agrees with me, that if a bank were created capable of making the tenant's security effective, and loaning upon it, the system would be all that could be desired.

It may be objected that there is actually already some sort of agricultural credit. That very point has in fact been raised. There is, no doubt. But what does such credit consist of?

There is, first, the falling in arrear in payment of rent, which makes the landlord the lender, and the lender ostensibly without interest, but which is nevertheless paid for rather dearly, in the continuance of the law of distress, in restrictions upon cropping, in covenants and the like, all of which conditions serve as security. At best this credit cannot be looked upon as a profitable and beneficial kind of credit.

There is, secondly, the dealer's credit. If there is any one disposed to dispute the legitimacy of credit in its application to agriculture, let him look at that! You may say that farmers do not want credit, that it is too dear for them. Farmers themselves show that they *do* want it by practising it—in the wrong way and in the dearest possible form. Reckon up what it costs in higher price, in inferior quality of goods, in dependence upon your dealer in your purchases, and you will find the cost total up to a considerable figure. Sir Edwin Chadwick some time ago stated that, according to his calculation, the same sum of money which will buy one-and-a-half day's support on credit, will pay for two

days' support if the goods be bought for cash in small quantities, and for three days' support if they be bought for cash in large quantities. The difference between the farmer's credit and cash purchases may not be in quite the same proportion, but it will probably be found considerable enough. I do not know if the dependence, sometimes amounting to peonage, the sacrifice of freedom of action, may not be taken to rank as the heaviest item in the account. Some thirty-five years ago I tried to form a co-operative farmers' supply association in East Sussex, for the common purchase of better and cheaper feeding-stuffs, seeds, machinery, manures, and so on. The proposal was exceedingly well received. The need of such a thing was acknowledged, the argument in its favour was accepted as conclusive. Everybody approved. But nobody showed himself willing to join. Why not? "You will never get these men to join," so said to me the late William Mannington, of Laughton, a large farmer, who knew his class well—a man himself of ample means. "They are all on their dealer's books and cannot get off." They were tied by the leg. They were not free agents. They must buy their goods at the dealer's prices, of such quality as the dealer chose to give, not as they wanted. They paid dearly for their credit. Co-operative Credit Banks, wherever they are established, have done away with this. They have enabled farmers to combine for the common purchase of goods—to which they have since, with exceedingly good effect, added combined selling—and the 4 or 5 per cent. per annum which they take in interest is shown to be a cheap set-off for the benefit purchased.

Again, there is banker's credit already available for farmers—banker's credit of a kind, and that is fast going. Not the free, ready credit always obtainable as a matter of course, and always to be depended upon, such as the trader may claim, and does not claim in vain; but an occasional loan on "character"—or, rather, on the security of property which the farmer is supposed to possess—or on standing crops—credit which is intended rather to help the borrower out of a difficulty than to supply him with

the means for engaging in some profitable enterprise. There is always a smack of favour about this kind of credit, and a suspicion of embarrassment behind it. It seems to cut a notch into the borrower's financial reputation. In any case it is a matter of bargain and negotiation, to be treated for in every particular instance, granted for a certain length of time, stated or understood, and is, accordingly, resorted to only in the hour of need—very often when credit comes too late to be of any use. It is a specimen of what Léon Say has well stigmatized as "illegitimate" credit—"consumer's credit." Paul Leroy-Beaulieu calls it "credit given to meet expenditure already incurred," credit which accordingly cannot yield a profit; as contrasted with "legitimate" or "productive" credit, credit given for a purpose of production which may, if judiciously employed, assure a gain.

There is, in Scotland, of course, Cash Credit, which has done so much to raise Scotch agriculture. "The far-famed agriculture of the Lothians," so wrote H. D. Macleod, "the manufactures of Glasgow and Paisley, the unrivalled steam ships of the Clyde are its own proper children." "A friend of mine," so Mr. Fowler stated some time ago at the Bankers' Institute, "was travelling in one of the northern counties of Scotland, and there was pointed out to him a valley covered with beautiful farms. My friend was an Englishman, and his companion, who was a Scotchman, pointed down the valley and said, 'That has all been done by the banks,' intimating his strong opinion that but for the banking system of Scotland (the cash credit) the development of agriculture would be in its infancy compared to what it is now." Unfortunately, there is now very little of this useful credit left—so far as it applies to agriculture. It seems to have gone out with the nineteen years' leases. It was invented to provide a circulation for bank-notes issuable at that time without limit. It is not worth pushing, from the banker's point of view—as involving risk—after issue has ceased to be profitable business. South of the Tweed it has scarcely developed to recognizable proportions as specifically agricultural credit under its English name of "overdraft."

Lastly, there is usurer's credit—very much of it, more than most people are at all aware of. Evidence of its presence and its ruinous influence comes to light sometimes, like a discovery under the bull's-eye glare of an inquisitive policeman's lantern, and then people cry out in horror at the systematic blood-sucking in progress where blood is least plentiful. We notice these exceptional cases. We do not see that steady sapping of our most precarious industry which is ever going on like the gnawing of a rat at the timbers of a house. Surely on this point a substitute for the borrowing which is sheer suicide is urgently called for.

I come back to the question which I asked above :—Why cannot ordinary credit provide for the farmer what he needs ?

There are very potent reasons, one of which the late President of the Imperial Bank of Germany, Dr. Koch, made very clear when speaking upon the subject of credit to agriculture in the German Parliament.[1]

Returns, so he says, are in agriculture incomparably slower than in trade and industry. As a rule, it may be said that a twelvemonth is required for turning over a sum invested. If there should be a failure of crops, or any other misadventure, one year may not suffice. Dr. Koch quotes the Austrian ex-Minister Dr. Marchet as laying it down in his standard book on " Agricultural Credit " that the farmer is not in a position to repay his debt till after the close of the " period of vegetation," and that at that point of time he can repay it only on the supposition that his new harvest proves adequate for making good the deficiency of the last. " That very uncertain factor, Nature," so Dr. Koch observes, " enters into the calculation. It is from this cause as well, and not only because the turnover is in agriculture so much slower than in other callings, that the difficulties arise." The Imperial Bank of Germany, so Dr. Koch went on to explain—an institution corresponding in importance in Germany to what the Bank of England is among ourselves —at that time advanced to agriculture in the course of the twelvemonth not less than £12,000,000.

[1] See *Cologne Gazette* of 27th March, 1895, No. 269.

Other bankers who deal in credit to agriculture entirely confirm Dr. Koch's statement. " L'échéance agricole," so remarked to me M. Scotti, Director of the People's Bank of Acqui, the business of which is mainly agricultural, " n'est que nominale." Losses are infinitesimal. But you can never tell when the money will come back to the bank. So it is at Lodi, at Cremona, at Rovigo, at Augsburg, at Gotha, at Cosel, at Insterburg. At Insterburg I found that there were agricultural loans outstanding which had been running for more than fifteen, even up to twenty years.

Agricultural credit, then, is a kind of credit which it is not worth the ordinary banker's while to cultivate—in the first place, because it is asked for an inconvenient length of time—a time which, in addition, may be altogether uncertain, and which will certainly be too long for occasional lending, and too short for permanent investment. The banker and the capitalist lend as a matter of *business*, not as a matter of philanthropy or public duty. Conditions must be made somehow to square with their interests, or they will have none of it. There is no other unwillingness on their part. They are ready to undertake any business which will keep them safe and give them market value for their money. The limited lending already done to agriculture, even to very small agriculture, by some banks in Scotland and in Ireland, and, I believe, by a bank in Cornwall, distinctly prove this. It was undertaken, not because it particularly suited those banks, but because the banks were willing to render a service so far as they judged that they could safely do so. Abroad, great banking institutions like the Bank of France, the General Savings Bank of Belgium and Italian Savings Banks, show themselves most anxious to find an outlet for their funds into a channel which may turn to the point of agricultural industry. But the difficulties prove formidable, and accordingly little or nothing can be done by those banking giants by direct means.

There is a second difficulty, to which Dr. Koch does not refer, because it does not apply specifically to what he was

talking about, and does not affect his own bank, a banking institution at the time dealing rather largely, not with farmers directly, but with Central Co-operative Banks, which formed the intermediate connecting link. In respect of security, the farmer, large or small, stands in a totally different position from the merchant or trader. Nobody pretends that he is not "good." He repays, generally speaking, with scrupulous honesty, though he may be provokingly tardy. But just on account of that tardiness, and, moreover, because there is no great money market in which he is known, as is the trader, his signature is not of negotiable value. If you would give it such value, you will therefore first have to create some new machinery, some banking appliance which will make it good current security. Co-operative banks have shown themselves capable of effecting this; and therefore I have ventured to say that in the case of a farmer or cultivator they actually *create* a security—which is true to a fuller extent even than may appear at first blush; for they do not only make a security negotiable which was not so before; they distinctly establish one where there was none recognizable before. That is their peculiar merit. How they accomplish this, how they at the same time create a security and make lending for what has otherwise been found an inconvenient period possible, I shall have to explain in detail as I try to make clear the various systems of People's Banking. My present object is to insist that credit made easily accessible, cheap, and in every way convenient, may be of very great service to agriculture, and that the ordinary money market, in its present organization, does not provide a sufficient source for such credit—that accordingly some new source will have to be created.

CHAPTER VI

THE "CREDIT ASSOCIATIONS" OF SCHULZE-DELITZSCH

THE merit of first putting the idea of co-operative credit-banking into practical shape belongs to Germany. Before the two great German apostles of Co-operation, Schulze-Delitzsch and Raiffeisen, began their useful creative work, both of them at the outset thinking rather of provident than of co-operative institutions, both about the same time, though quite independently of one another, far apart —one in the East, the other in the West of the Empire— in respect of credit co-operation, all was chaos.

To Schulze, as to his fellow-labourer Raiffeisen, the idea of co-operation was first suggested by the miseries brought upon many of his neighbours by that trying dearth and famine which swept across Germany during the years immediately preceding the Revolution of 1848. He was then living in his little native town of Delitzsch, filling a judicial post corresponding, roughly speaking, to that of a County Court judge in England. By this means he was brought into contact with many small folk, mainly of the humbler trading class, and led to understand and appreciate their troubles. Schulze had visited England and knew something of our provident societies. Accordingly, it occurred to him to apply for the mitigation of their embarrassments the same means which had already proved effective here. In conjunction with his friend Dr. Bernhardi, of Eilenburg, he set on foot, first of all, a sort of provident fund. Next, the two philanthropists organized an institution which has since become exceedingly popular in Germany,

that is, a co-operative association for the purchase in common of raw material. That form of institution has not met with much favour in this country. But to the joiners of Delitzsch and the shoemakers of Eilenburg the new institution came as a veritable godsend. They took it up readily, and to the present day associations for the common purchase of raw material continue numerous and flourishing in Germany.

From the co-operative purchase of raw material to other co-operative supply, and from that to the co-operative supply of money, was in each case but a step. Schulze advanced in this way, and the year 1850 saw his first "Credit Association" established. That association was not in the fullest sense co-operative, and hence its early weakness. It was a capitalist institution, philanthropic and condescending, supplied with funds by members who did not themselves expect to become borrowers. Evidently Schulze was feeling his way. But he made his bank co-operative at any rate to the extent of insisting that no one should obtain a loan who did not himself become a member of the bank, responsible as such, and thereby pledged to regular payments (*ergo*, to savings) up to a certain figure; and, moreover, that the loans granted should be treated, not as a matter of charity or favour, but strictly as a matter of business. There was a notable advance in this upon old methods.

The German apostle of Co-operation did not long halt at this half-way station. While he was away, meeting one of those numerous vexatious prosecutions with which his Government unpleasantly seasoned his career, his friend Dr. Bernhardi worked out at Eilenburg a more fully co-operative plan, upon which he modelled his own new local bank. The experiment proved a success. As many as 396 members joined, paying in in the very first year 2,242 thalers (£336) in deposits, and so enabling the association, with the help of 3,703 thalers (£555) of borrowed money and its own small share capital, to lend out in the twelvemonth 8,801 thalers (£1,320), and to realize a net profit of 142½ thalers (£21 7*s.* 6*d.*), which was considered exceedingly encouraging. Schulze, returning to Delitzsch in 1852, at

once recognized the superiority of his friend's scheme, and forthwith grafted its principle upon his own thus far less perfect institution, with the result of increasing the number of its members from the 30, to which it had fallen, to 150, and raising sufficient funds to enable it to lend out something like 5,000 thalers (£750) in the very first year after the change.

Thus was the first stone laid of a fabric which has since become a great co-operative stronghold, the first seed planted of a crop which was to overspread the entire Continent. In substance the Schulze-Delitzsch associations are the same still; in the main the original type has been adhered to. It was a bright light which Schulze had set a-burning, and he was not the man to hide it under a bushel. He may be described as a born economic missionary. His striking personality, his convincing eloquence, his invincible faith in his own cause, and his truly contagious enthusiasm made him an almost ideal propagandist. He "stumped" the country with a will, making clear with remarkable lucidity of exposition to audience after audience the principles of his system, the benefits of its application, the incalculable gain which it must bring alike to individuals and to the community. His economic gospel took the country by storm. Everywhere new "Credit Associations" sprang up—followed in many cases by distributive associations (on the Rochdale model)—and everywhere they accomplished astonishingly good work. When in 1883 the great German champion of Co-operation was called home there are said to have been no less than 4,000 associations of various sorts established in Germany, organized on his system, comprising something like 1,200,000 members, disposing of a capital of their own of more than £10,000,000, and doing business at the rate—so Herr Schmid, of Vienna, has calculated—of at least £100,000,000 a year. That is without including a large number of associations formed avowedly on Schulze-Delitzsch lines in adjoining countries. Without question Schulze had carried his idea to a triumph.

Schulze's path was not at first strewn with roses. Those were the days when in Germany there was still a common

talk of the "limited understanding of subjects." Government must do all the thinking. When, therefore, this "Democrat" presumed, not only to think out his own scheme for benefiting his fellow-men himself, but topped that offence with the arch-heresy of suggesting that men could help themselves, the Manteuffels and Bismarcks felt their prerogative invaded, and resolved to make the audacious innovator suffer for his presumption. They began by worrying the poor man out of his judgeship. When they could not refuse him sick-leave as a judge, they granted it coupled with the condition that he must not, while on furlough, visit his native town. When, knowing this condition to be illegal, he nevertheless proceeded to Delitzsch, where he was received like a hero returning from victory, they promptly announced that a month's allowance would be stopped out of his salary. Indignant at such arbitrary treatment, Schulze threw up his judgeship in disgust, and resolved to devote himself from thenceforth entirely to his economic apostolate.

But he had not yet done with "paternal" Ministers. Every conceivable obstacle was laid in his way. When in 1859 he convened his first Co-operative Congress—the most harmless Congress, one would think, which a man could suggest—under the dictation of the Government in Berlin even kind-hearted King John of Saxony dared not open his dominions to the supposed traitor, who was accordingly compelled to summon his adherents to that one available refuge, as it then was, for "undesirable" Germans, the Thuringian duchies. When it was seen that in spite of all this official harassing and badgering, prosecutions in courts of law, and tabooing in the press, Schulze still kept gaining ground with the people—who were not by such means to be dragooned out of benefits apparent to all and appealing to all—Herr von Bismarck, the unsparing anti-Socialist of later days, raised up a Socialist Jannes, in the person of Lassalle, to withstand this economic Moses. Lassalle was systematically petted and caressed, favoured even to the length of the acceptance of his idea of Socialist workshops. At the instance of Herr von Bismarck, who

personally introduced the forerunner of Bebel and Liebknecht to King William, some experimental collectivist workshops, endowed with money from the King's purse, were set up at Berlin, and carried on for a brief time—of course with the result of losing His Majesty every farthing ventured. In 1865 the Prussian Diet appointed a Committee to draw up a law on co-operation. By explicit direction of Herr von Bismarck the one person in the House who knew anything about co-operation was deliberately excluded. And so this harassing and badgering went on. To the end of his career was Schulze, who enriched his country by more milliards than Prince Bismarck conquered for it in 1871—to say nothing of instilling the principle of thrift—mercilessly harassed on his course.

Of course all this childish persecution entirely missed its aim. Every weal which Prince Bismarck's sharp whip raised on the popular favourite's skin secured the latter fresh hosts of admirers and converts. There is absolutely nothing to be said in justification of the official badgering. To make it the less excusable it was directed at altogether the wrong point—not the point at which, unfortunately, the system eventually proved to be vulnerable, but at one on which it was absolutely immaculate.

In considering Schulze's work we shall have to bear in mind what it was that Schulze had set himself planning and working for. Different people have different opinions as to the true object of Co-operation. Schulze had no scheme in his mind for the moral regeneration of mankind. Nor yet was he thinking of bringing about a working men's paradise. He was thinking of his joiners in Delitzsch, his shoemakers in Eilenburg, and beyond them of people in similar positions—all those toiling and producing myriads whom we rank as the humbler middle-class, who have employment for capital, but at present have no capital, at any rate not in sufficient quantity, brought within their reach. And he meant to help these people, economically only, by showing them how to procure for themselves the use of such capital, as a road to its final full acquisition. Economic reform being effected, he judged that other reform

would follow in its train of its own accord. Meanwhile certainly out of the surpluses netted there should be contributions paid towards educational and other purposes benefiting the poor.

As a middle-class movement accordingly Schulze's movement began, and a middle-class movement in the main it has remained—not perhaps in essence; for it is adaptable to a great variety of cases, but in practice—to the present day. Schulze's own Union—which is probably a fair specimen of what prevails throughout—comprises at the present time among its members about 34 per cent. of working men. That ratio compares favourably with the figures for earlier years. But the full list of occupations given below[1] will show that it includes only few real wage-earners. It is indeed a question, what use simple wage-earners should in their individual capacity have for a credit bank of this description, except as a savings bank. In their corporate capacity, as calculated to provide useful service for their co-operative and other societies, it may become of very direct importance also to them—as witness the otherwise

[1] The figures given in a recent Year-Book are as follows:—

	per cent.
(1) Independent agriculturists, market-gardeners, etc.	27·05
(2) Assistants of the above, and labourers engaged in agriculture, gardening, etc.	2·53
(3) Manufacturers, building contractors and mine-owners	3·75
(4) Independent jobbing artisans	23·75
(5) Factory hands, miners, journeymen artisans	7·31
(6) Independent merchants and dealers	9·99
(7) Employees in mercantile establishments	1·32
(8) Jobmasters, inn and tavern keepers, and shipowners	4·80
(9) Postmen, railwaymen and subordinate employees in railway and postal service, waiters and boatmen	3·09
(10) Domestic servants and commissionaires	·77
(11) Medical men, pharmaceutical chemists, schoolmasters, artists, literary men and public employees	7·21
(12) Persons without a calling	8·42
	100·00

successful banking arrangements in our Co-operative Union. These leave a perceptible gap between the great Wholesale Bank and the members of local societies, which gap co-operative banks of the foreign type would be well suited to fill. Beyond this, the matter is bound to interest even purely wage-earning working men, because there is no more liberal contributor to the available national " wages-fund," no power making so largely for the employment of labour as this co-operative credit, which produces its millions annually mainly to keep the loom, the lathe, the plough going, providing material and paying for labour. The very condition set to such credit, that it should be *productive* credit, in truth ensures this. It is credit for every one who chooses to combine with others to create it, be he ever so much a working man. But by the very nature of things it is in the main credit for the business classes, who most directly require it. As such it ought at the present time to appeal rather forcibly to ourselves, seeing that the ready business credit which our farmers, manufacturers and merchants used to enjoy, and used greatly to appreciate, while there were local banks which knew how to give it, has for the most part disappeared, those banks having been swallowed up by giant establishments which are above such ndividually petty business.

And to help these people to credit Schulze would employ only economic means. He had no intention of interfering in their private life, or educating them in morals. He rather sneered at " Christian Socialists," who troubled themselves about other people's moral well-being. Economy was enough for him. But the economy must be sound, resting upon self-help, production, and thrift.

The complaint of the people for whom Schulze wished to prescribe was that they did not possess sufficient capital. Anticipating Lord Beaconsfield's well-known advice to his minority, to the effect that " the first duty of a minority is to convert itself into a majority," he accordingly took care to impress upon them that the first duty of a non-capitalist is to convert himself into a capitalist. Sir Robert Morier altogether misreads Schulze's system when he

describes unlimited liability as the "key-stone" of that scheme. At the time when Schulze started work there was no choice possible between different forms of liability. Limited liability was then not yet known—not even in England; in Germany it did not become recognized till 1889, six years after Schulze's death. The question of the several merits of limited and unlimited liability in connection with Co-operative Banking came, however, to be raised already in Schulze's lifetime by limited liability becoming legally permissible in Austria, where there were then already banks of the Schulze-Delitzsch type, in 1873. Unquestionably Schulze's successors in office still proclaim themselves, like himself during his lifetime, in favour of unlimited liability. They judge it of greater utility for their scheme than limited; and they more particularly recommend it for co-operative banks in *early* stages, when capital is sure still to be scanty. However, like Schulze in his old age, they admit, and even emphasize, that the question involves no point of principle. In 1872 they were glad to see limited liability disallowed in Bavaria—where it had been permitted for a few years—by the coming in force of the new German law-code. At that time their Union would not accept any societies with limited liability. But in 1894 the Schulze Congress passed a resolution favourable to it, and in 1896 it formally declared limited liability societies eligible. Since then the number of limited liability societies has gone on steadily increasing. Under stress of tight money, it is true, some few societies, already converted into limited liability societies, have gone back to unlimited liability, which, as a matter of course—supposing the society to have established a character for careful management—commands more ample credit. But generally speaking there is a steady growth in the number of limited liability societies, which at the close of 1908 stood in the Schulze Union proper at 332 out of 916 reporting societies. Undoubtedly the financially strongest banks of the Schulze type still retain unlimited liability. Limited liability in the German application, so it may be well to explain, does not necessarily imply what it would in our

own country, namely, liability limited to the actual value of the share taken up. In 134 societies out of the above-named 332 it does indeed mean that. But in the others it rises from 1·20 fold to the sixfold. Only in seven, however, does it exceed the fourfold; only in 52 in all the twofold. One of the Congresses of the Union held has laid it down that it shall never exceed the fivefold. In other unions, as we shall presently see, this curious authorization of a fancy liability—which is intended for the security of creditors, but may actually tell against it—is answerable for much abuse, that is, for a monstrous liability piled up upon a diminutive holding in shares. There are co-operators who are of opinion that unlimited liability alone is calculated to bring out "the true co-operative spirit." However, that is not the ground upon which Schulze and his followers base their preference. They value unlimited liability on account of its actual utility. They recognize its dangers. Schulze himself has described it as a "two-edged sword."[1] But they consider its advantages to outweigh its dangers. And it is only fair to add that unlimited liability does not appear in Germany (and Austria), where people seem "to the manner born," to have led to many serious losses.

The real "key-stone" of the system, the point upon which all its practice hinges, and by the degree in which societies succeed in attaining it they are judged by co-operators of Schulze's school, is the accumulation of capital "of their own in the bank's holding." Towards that goal all methods adopted converge.

Such capital is to be created, not by gift or by lucky speculation, but by the members' own honest efforts. This is the foundation upon which the entire scheme is built up. The societies pride themselves upon their devotion to "self-help," and carry "self-help" even in the name that they have given to their Union. No demoralizing State-help for them! No patronage! There must be money of

[1] Dass die auf unbeschränkter Solidarhaft beruhende Genossenschaft in ungeschickten Händen eine sehr gefährliche Waffe sei, die in den minder bemittelten Volksklassen viel Unheil anrichten könne.—*Blätter für Genossenschaftswesen*, 1886, p. 81, *ss.*

the members' own even to begin with. Schulze's competitor Raiffeisen admits the very poor, if they are only known to be honest; and, to be able to admit them, he would have no shares. Schulze insists that a man who enters a society of his must be able to take up a share, with the knowledge that he will be able to pay for it in reasonable time—one share only (except in a few peculiarly circumstanced societies); because, liability being unlimited, one share is sufficient as security, as pledging all his belongings, but a share of rather substantial amount, at least £5. At that figure Schulze put the allowable minimum in early days; but the figure has long since been raised to severally £15 under unlimited and £25 under limited liability. Unlimited liability banks are supposed to require the larger equipment with money; but, as a matter of fact, it is the unlimited which actually have the larger shares. There are societies with £30, and even with £50 shares. But the mean figure for *paid-up* shares now stands at a trifle over £17. That is a substantial figure enough.

Unquestionably there is utility in large shares—as has been discovered during periods of tight money. But there are also distinct drawbacks. In any case the large share forms a barrier to admission, not unlikely to keep out people who might be desirable members. It is admitted that not a few members have, under pressure of want of funds, gone out of their societies simply to repossess themselves of their share-money, even though by so doing they sacrificed their nonreturnable entrance fee—recommencing after that their course of payment by instalments for a new share. Above all things, large shares—the object of which is to constrain members to a systematic course of laying by (whence their whilom nickname of "compulsory savings banks")—are as apt to embarrass banks in full times, as they are to help them in slack. In 1895 I found these banks overflowing with money, and doing all that they could to reduce share capital (which by reason of the dividend is dearer than loan money) by cancelling shares, and prohibiting the payment of further instalments. That knocks the principle of "compulsory saving" on the head.

Apart from this, I have found banks even in ordinary times keeping share capital down—one very prosperous bank limiting the "paid-up" part of its £50 share to only £5, another permitting only £15 to be paid up on its £37 10s. share. Evidently there are two sides to this, as to all questions.

Individual societies are not absolutely under the control of the leaders of the movement. But in general, Schulze's banks must be admitted to have lived up to their originator's rule of much share capital—for non-capitalist banks. The 1,022 societies composing the Union and numbering, as a mean figure, 614 members apiece—though there are societies with many thousands of members, just as there are also others with only 50 or 60—returned in 1908 215,092,833 marks (£10,754,641) paid-up share capital, which means, as observed, £17 3s. per member.

Such foundation for solvency laid at the outset is systematically broadened from year to year by generous allotments to reserve, such as have yielded up to the present 89,249,982 marks (£4,462,499) in the 1,022 societies mentioned, that is, 87,329 marks per society. Schulze-Delitzsch societies have sometimes been found fault with for paying too heavy dividends. However, such dividends have not been paid at the cost of the reserve. In point of fact, Schulze from the outset perceived that, in view of the unlimited liability engaged, he must, as a safeguard to members, insist upon a strong reserve fund, which should be brought up to 10 per cent. of the share capital as quickly as possible, but may with advantage be raised to 50 per cent. We shall see presently that in Italy there are People's Banks which although they are under limited liability, yet have advisedly and very prudently brought up their reserve to more than the share capital. Of late it has been contended that share capital is not the proper standard by which to measure reserve funds, but that such should be proportioned to actual liabilities; and some few banks—for instance the Central Bank of Heide—have actually in their rules applied this measure. But in general this is not an altogether easy thing to do in practice. In any case

it is a distinct point in Schulze's programme that reserve should be made as strong as possible, as adding to the capital of the bank's own.

Big dividends are an error into which—as witness our own distributive societies—all forms of co-operation are easily tempted to fall. Between the competing calls of co-operative spirit and good paying selfish business, the latter is almost bound sometimes to carry the day. In the case here under consideration those big dividends, which have mounted up to 20 and 30 per cent., in one case even to more than 56 per cent., have their cause in the non-limitation of interest on capital, the necessity of which in all probability Schulze—like M. Luzzatti in his own case—did not foresee when starting on his career. There was no indication then to show with what willingness capital would come forward. And capital there must be. It is not altogether surprising that, 'overrating its coyness' Schulze, to be on the safe side, did not stint allurements. And in his case undoubtedly, undesirable as heavy dividends in themselves are, there is something to be said in extenuation. Members—that is, shareholders—have in the majority of cases saddled themselves with unlimited liability on behalf of the bank. Such liability may claim to be paid for. It would not be fair to remunerate it at the same rate as limited liability, which runs no risk. Beyond this, if it is taken from borrowers' payments, borrowers have been distinctly relieved by the ministrations of these banks, and might well expect to be charged for this. We must not measure what happened in the fifties and sixties, in undeveloped Germany, by a British standard of the twentieth century. Schulze's customers had been in the habit of paying 20 and 30 per cent. Receiving their advances at from 12 to 13 per cent., with a trifling commission added—which was the rate of Schulze's banks in those early days—meant a distinct saving to them. Happily we have got over those expensive times. It is difficult to stop existing banks in an accustomed practice. However, generally speaking, dividend has now come down to about 6 per cent. as a mean. The last reported average is 6·18 per cent. The

average interest, by the way, paid for borrowed money (including savings deposits) is 3·91 per cent. Concurrently with it the rate of interest charged on advances has gone down.

Still acting with a view to material strength, which throughout Schulze made his main aim, he laid down some other regulations. Only strength, so it will have to be admitted, can ensure independence. And independent these societies *must* be if they are to afford their members steady credit, unaffected by the fluctuations of the great market. (How rightly he judged we shall see when we come to consider co-operative banks founded on the opposite principle of dependence.) For this reason Schulze urged his banks not to rely to excess upon loan money—he would limit the proportion of loan money to money of the bank's own as four to one. And such loan money as was got should consist by preference of savings deposits, which as a rule constitute both the cheapest and also the best "lying" money. Each "credit association" was to try to become the "savings bank" *par excellence* of its own district. Seeing that at the close of 1908, 868 of these associations reporting on this item had 477,955,811 marks (£23,897,790) in savings deposits on their hands—that is, nearly half of their collective loan capital (1,050,344,140 marks), including cheque accounts—the societies cannot be said to have proved altogether untrue to their master's teaching. And evidently, with such results to show, they deserve the praise which, in 1887, speaking in the House of Commons, Lord Avebury bestowed upon them as admirable substitutes for savings banks worthy of imitation in this country.

As regards other loan capital, the readiest and most convenient way of obtaining such would be by rediscounts. For capitalist deposits and loans are apt, in time of slack business, to become a source of embarrassment to banks. Rediscounts are, however, just the point on which banks let in the adverse influence of the fluctuating great market. The financial crisis of 1907 has made it quite clear how right Schulze was in urging his banks not to rely upon them to

excess and not even to employ their credit with their own central bank, when they had one, overmuch. It was the rediscounting banks which suffered most by the crisis.

The strengthening regulations referred to above have regard to the working districts of the banks, and to their membership. Strength necessarily presupposes a broad basis and a maximum number of supports. Schulze would not hear of limiting membership to distinct classes or callings. The more members there were, the safer would the bank be, and the cheaper would be its management, the more substantial also would be the security which it had to offer. Therefore he would not limit a bank to any particular district, but leave it to the bank itself to determine over what area it could with safety extend its services. And the more varied were the occupations of such members the steadier would be its foundation, not only because—as has already been shown—the period of abundance in one calling may well coincide with a period of want in another, neutralizing its effect, but also because grouping according to callings is only too apt to bring out, instead of the generous, unselfish spirit of co-operation, the grudging, grasping spirit of self-interest. We see this plainly in some other unions. Schulze hated by-ends as much as ever did John Bunyan, and he would close and securely bar his door against them.

We now come to the important point of the according of credit.

Businesslike as he showed himself in all things—businesslike to the extent of horrifying some "Christian Socialists"—Schulze showed himself so also in the provision made for the use of credit. That provision will call for rather fuller explanation presently. Suffice it here to say that Schulze would have no credit allowed except against security, and that by preference he would have such security made personal. "*Ce qui me plait dans les banques populaires c'est qu'elles font le crédit personnel.*" By such words Léon Say indicates his own distinct preference for this form of credit. Some of Schulze's banks still lend out money on the old-fashioned security of mortgages. It is not necessary

to point out what embarrassment that may lead to by reference to such extreme cases as these—a theatre, which of course turned out a white elephant, foreclosed upon at Cannstadt; and a watermill pledged to a society washed bodily away by the flood—to show how very undesirable a security a mortgage is to a bank, most of all for a co-operative bank presumably endowed with only comparatively scanty capital. We have the first Lord Sydenham's golden rule against it, accepted by all bankers: "Banking is an easy matter enough, once you know how to distinguish between a bill of exchange and a mortgage." Advances on mortgage are strongly discouraged at Schulze-Delitzsch headquarters. The credit given should be personal, but not without security attachable in case of need. What Schulze would say to the practice of allowing members blank credit—of course within limits—which has now become not altogether uncommon, I do not know. It is only fair to add that the practice has been found a great convenience, and that it does not appear thus far to have resulted in serious loss; and also that the law debars the societies from lending to any one except members, who are, of course, known to their society and to some extent under its control, and who have paid money for their shares. But still the practice seems open to criticism.

And, beyond this, Schulze urged societies to be strict in exacting punctuality in repayment.

It may be convenient now, before proceeding to a discussion of the particular methods adopted in the actual disposal of money in advances and loans, to explain the organization by which Schulze has sought to carry his principles thus far set forth into effect.

The object which he aimed at was, of course, to ensure a maximum of efficiency and readiness for prompt action in the Executive—which cannot function well without such attributes—combined with a maximum capacity for checking on behalf of the body of members, whose power of direct supervision is necessarily limited by their number, even in a small bank, as well as presumably by a lack of ability among the majority.

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Under the law as it stood at the time, allowing full liberty of organization, Schulze very naturally provided for the election of a rather large General Committee (*Aufsichtsrath*) by the members collectively, at their annual meeting, from out of which its own members were in their turn to select a smaller Executive (*Vorstand*)—consisting by preference of three only—that being considered the most advisable number—to transact current business. No special provision was made for skilled fitness. Under this system of organization the General Committee acted at the same time as supreme Executive and also as inspecting body. That was a simple enough form of organization. However, Schulze was not long in discovering that for a bank, the soundness and success of which must necessarily depend upon very effective checking and the keeping in abeyance of personal interests in the governing bodies, it was not ideal. As early as in 1869 he pleaded openly for a more thorough separation of the inspecting body from the governing. The law of 1889 carried his opinion into effect, directing that the two bodies must be *entirely* distinct, separately elected, and with all possibility cut off of one person serving on the two. It is not often that the law by its interference renders a good service, but in this case it undoubtedly did. The organization has grown stronger and more trustworthy under the new provisions.

In accordance with such principles the *Aufsichtsrath*—whose position is identical with that of " Board " of a joint-stock company—indeed retains certain prerogatives of governing supremacy—under the General Meeting, from which it derives its authority; but in the main it has become a purely inspecting and controlling body. The actual business is, as heretofore, carried on by the *Vorstand* of three members, every one of whom fills a distinct office, but an office temporarily, during the absence of one or other of the other members, interchangeable with the others—a body acting collectively, like a three-headed managing director, with this safeguard introduced (to prevent abuse of authority), that every act performed or decision taken requires at least two signatures, carrying with them joint

responsibility, so that at the very source of each exercise of authority there is one man to check the other. Members of the *Vorstand* are appointed as permanent, salaried officers (who are, not quite properly in my opinion, frequently remunerated by commission on " business " as well as by fixed salary), and are to be selected purely for their fitness, which term of course includes trustworthiness. But, as time has gone on and business has expanded, the question has also become one more and more of banking capacity, at any rate in banks of any size. The members of the Executive are also required to be members of their own particular bank; but that qualification they may acquire after selection. They are formally elected by the General Meeting, but as a rule on the proposal of the *Aufsichtsrath* or Committee, which, in addition to superintending them, in not a few societies retains this attribute of supremacy, that it is entitled in urgent cases to remove the one or other member from his office, subject to early confirmation of such act by a General Meeting. The *Vorstand* are allowed considerable latitude—subject to subsequent control. And there can be no doubt that the freedom of action left to them, increasing their efficiency as an executive body, is in a large measure answerable for the workmanlike administration, and, therefore, the success of the banks. The *Vorstand* is, of course, required to meet as often as there is occasion, which means that in the large banks there is daily attendance. The subordinate staff of the bank is under the orders of the *Vorstand*.

The *Aufsichtsrath* is numerically a considerably larger body, elected by the members at the General Meeting and intended to be, in its composition, representative of all sections of the membership. Its proper business is to control—to control and check *everything* that is done—not merely to audit and see that the provisions of the law and the rules laid down are observed, and to compare the cash in hand with the accounts; but also to inquire whether in every case proper security has been taken, and has been maintained, and in general whether the *Vorstand* has rightly exercised its discretion. It is not too much to say that in

the bank everything hinges upon the manner in which the *Aufsichtsrath* discharges its duties. Its inspection, being inspection by local men, directly interested in the bank by their liability, and cognisant of all the circumstances, is absolutely not to be replaced. A good *Aufsichtsrath* makes a good bank; and wherever loss has occurred, it has as a rule crept in through some negligence of the *Aufsichtsrath*. Schulze did not believe in gratuitous services, quoting against such the scriptural maxim: "the labourer is worthy of his hire." Accordingly, as a rule, even members of the *Aufsichtsrath* are remunerated—generally by fees for attendance. However, in not a few cases, such services are now, as a voluntary act, rendered gratuitously. There is, of course, no occasion for the *Aufsichtsrath* to meet anything like as frequently as the *Vorstand*. But it is expected to meet, for the overhauling of business, at least once every three months. The mischief is that, as business has grown, it has in the larger banks become too unwieldy for the *Aufsichtsrath*, acting collectively, and having only limited time at its disposal, to carry through carefully. Hence the recourse, practised in daily increasing ratio, to skilled assistance in matters that appear to call for skilled investigation is decidedly to be welcomed. Even in his day Schulze himself was led to decline further service on his *Aufsichtsrath* unless a skilled accountant were appointed to take actuarial work off the *Aufsichtsrath's* hands. Such work is of course done under the *Aufsichtsrath's* authority and with its responsibility to answer for it.

Admission to membership is made easy. So much stress is in each case of a loan laid upon security and the observance of proper rules that practically every respectable person may be considered eligible. Schulze would, as observed, not have members who did not *primâ facie* possess the means for maintaining membership. Those who were too poor must be left outside. Otherwise the applicant need really only signify his acceptance of the rules—which declaration, bearing his signature, has to be handed in to the law court of the district, acting as registry office—and pay his first instalment and the entrance fee, to become

endowed with all attributes of membership. The entrance fee is not returnable on resignation, and may be fixed at the discretion of each society, but is not as a rule large. It may be fixed per head or per share. For obvious reasons the same facilities are not given for retirement. For retirement means, not retirement of a person only, but also of the funds which such person has contributed and of his liability, on which the society depends. Accordingly, notice is insisted upon. Such notice is as a rule fixed at three months, but may legally be extended to as much as two years.

We shall now have to consider the principal business of the bank, that is, the granting of loans.

Growing business requirements have necessitated the recognition of a considerable variety of methods of credit, among which one is not sorry to see cash credit, quite on the lines of the Scotch, claiming from year to year a more prominent position. Lending, however, as a matter of course, began with the simple advance—so much money for so long a time. The law rightly allows lending only to members. However, members have a right to claim that things should be made easy for them ; for that is the acknowledged object for which the bank was formed. In respect of pledgeable security brought to the societies, their practice does not differ from that of ordinary banks. So much security, recognized as sound, whether it be real or personal, will entitle to so much credit. However, a co-operative bank may be expected to go a step further. It has done so by appointing a committee of members—which may be the Council or a distinct committee elected for the purpose, to wit, the *Einschätzungscommission* (Appraising Committee) —to appraise the qualification for credit of each member, and enter the figure in a special register, the *Creditliste*, which is of course kept private and revised from time to time. The figure there noted tells the *Vorstand* to what length it may give each man credit—not without his signing an I. O. U. or acceptance in respect of the loan—for the question is not one solely of security but also of facility of recovery—but still practically on the ground of his own

estimated sufficiency. The difficulty about this business is the old one of *quis custodiet ipsos custodes*, that is, how to deal with those who have a voice in the granting of credits, whom it would be manifestly unfair to exclude from the privilege of borrowing, but who evidently must not act as judges in their own cause. This difficulty is as a rule got over by the nomination of a distinct committee of valuers to deal with such cases only.

Some banks supplement the register spoken of by other registers, card catalogues and the like, applying not to borrowers only, but also to their sureties, whether members or not, in which carefully prepared records are kept of all past transactions, the names being entered in alphabetical order. These helps are in some cases found exceedingly useful. You can tell from them how each call was met, whether there were difficulties, how the parties have behaved. And the record of the past is made to serve as a guide for the future.

On grounds of practical utility the acceptance has long since become the favourite record of a loan.

The acceptance is found to constitute in every respect the most convenient instrument, not least so because it helps to secure that "liquidity" of funds which Schulze was rightly ever anxious to see maintained. An acceptance may, in case of need, easily be passed on to some other bank, so that it may be said to contain in itself the power of making more money. Its selection was furthermore favoured by Schulze's insistence—in respect of which his successors in office fully maintain his teaching—on short terms only for ordinary credit, by preference three months, which is the accepted running time for negotiable bills. Such short terms ensure the further advantage of keeping the borrower well in hand. Renewals are pretty freely granted—in some banks almost too freely. Of 3,680,532,701 marks (£184,026,635) lent in 1908 by 1,022 Schulze-Delitzsch banks, 743,889,165 marks (£37,194,453) were renewals. But every renewal has to be asked for; and to unsatisfactory borrowers an answer in the negative is well within the bounds of possibility. For not a few purposes, however,

short terms are of no use, and members borrowing for such purposes have a right to expect, provided that their case is good, that they will not be sent empty away. Very needless controversy has taken place with regard to this point. The truism that a bank can obviously not lend money for longer than itself has received it for has been pressed to quite undue lengths. As a matter of fact practice has settled readily what theory pedantically still stickles over. This is not only a question of borrowers' needs. Banks have money to deal with, and employment is not always readily to be found. The sound rule about keeping funds "liquid" is quite sufficiently to be met without the adoption of hard and fast rules. In the end theorists have allowed banks a right to deal for longer terms than usual with money *of their own*. However, managers having money to invest and good cases before them, are not careful to inquire whether the money that they deal out is the bank's own or borrowed. I have found that credits have been renewed with perfect safety—the security being good—and to the bank's benefit, for ten and even twenty years.

The acceptance is, as observed, a very convenient instrument of credit. But it does not in every instance suit the borrower. The German law with regard to acceptances is very severe. M. Durand calls it "draconic." Hence the simple note of hand has in many cases had to be accepted in lieu of it. In 1908, in 1,022 Schulze-Delitzsch banks, 215,542,908 marks (£10,777,195) were lent out simply on note of hand or I. O. U., as against 882,587,337 marks (£44,129,867) lent out on acceptance from the borrower—not counting bills of exchange brought to the banks for discount, the total of which amounted to 1,007,886,468 marks (£50,394,323). The last-named used to be the favourite form of credit, as best ensuring genuine business employment and involving least risk, till cash credits became popular.

As between acceptance and simple note of hand, the general rule is, that the latter should be taken only for small amounts, within a limit set, whereas the former is employed for larger sums. There is still, as already stated, some

lending on mortgages, which old-fashioned people persist in regarding as an ideal security, although, apart from such miscarriages as have been already instanced, they in every case possess the disadvantage of locking up the money employed for an inconvenient length of time. The sums outstanding on this security in 1908 amounted to 20,286,205 marks (£1,014,310). That is not much in comparison with the total of £184,000,000 lent out, but still it is more than there should be. One is thankful to see the figure declining; but it had gone up before. People at headquarters are thorough believers in Lord Sydenham's "golden rule" already quoted, and keep warning against mortgages. Cash credits amounted in 1908, once more in respect of 1,022 banks—or more correctly in respect of 590 out of that number—to 1,554,229,783 marks (£77,711,489). Such credits are in each case secured in some way or other, and, whatever the security proper given may be, it is usual for greater convenience to hold an acceptance, undated, the date for which may be filled in at any time, at the discretion of the bank. The latter of course safeguards itself against abuse of such credits, and will not, among other things, allow them to remain "dead." In view of possible abuse the credit is made revocable at pleasure. There are one or two minor forms of credit, which scarcely call for much notice. One such is the discounting of book-debts, which was begun in the very early days of Schulze-Delitzsch banking, and is now once more being much discussed, with an evident desire on the part of some societies to rehabilitate it. It is not, however, favoured at headquarters.

What has been said will probably make the various methods of practising credit sufficiently clear for present purposes. It is to be assumed that the safeguards adopted —appraisement of members for purposes of credit, careful examination of the security given from time to time, keeping loans short, and insisting on prompt repayments—have proved effective; for the percentage of losses occurring is very trifling. It amounted in a rather bad year (1908) to only 2·93 marks (less than three shillings) per member on a total turnover of 12,452,499,625 marks (£622,624,981).

There were losses in 330 societies. Previous to 1899—in which year the great craze for speculation, which carried Germany along, had at any rate something of a sympathetic effect upon members of co-operative banks, and drove the figure up to over three, in one year to nearly five shillings per head—it stood, as a rule, well below two shillings. Management expenses are kept down by the comparative size of the societies; the more members, the less per cent. expenses. Banks try to keep themselves of a fairly good working size; and the tendency now seems to be towards spreading out over a wider area, in consequence of which a recent Congress has by resolution recommended an institution which will have to be more fully explained when we come to consider the practices of one or two typical banks, namely, the employment of "confidential advisers" to assist the Committee with information, stationed in outplaces.

In conclusion, under this particular head of the banks' business, it deserves to be noticed that in course of time, from being in the main mere credit and savings banks, the Credit Associations have become, generally speaking, genuine "banks" for their particular customers, opening drawing accounts, purchasing and selling shares and bonds, and doing all that modern usage requires a business bank to do.

From what has been said the general principle and also the practice of co-operative banks of the Schulze-Delitzsch type, regarded in their individual capacity, ought now to be fully understood. It will still be shown how these banks have managed to fortify their system by means of collective action. But before this is done it may not be amiss to illustrate their individual way of carrying on business by a few examples which have been selected, more in particular with a view to meeting a most mistaken impression—which has, through the ignorance of those who set up for teachers, found its way also into the United Kingdom—to the effect that the Schulze-Delitzsch banks are purely "urban" institutions, as they have been called, unqualified to render any service to agriculture. No impression could be worse

founded. There is nothing exclusively "urban" about such banks. There are circumstances under which another system appears preferable in rural districts, and those circumstances were recognized by Schulze himself when he directed that poor people must be kept out of his banks. They turn rather on the presence or absence of available ready means than upon surroundings. Schulze's system is, in truth, applicable wherever people are found willing to take it up, being possessed of sufficient means and business knowledge to do so. It was first intended for the jobbing artisan. It has been found largely useful for the larger man of business and the moderately-endowed man of no business. There is no reason why the regular wage-earner, so far as his circumstances call for the assistance of a credit bank, should not find his account in it—in our country that would probably be in a modified form of which I shall still have to speak. In his corporate capacity he would certainly, in his various associations, dealing with money and collecting deposits, find it beneficial. And it has done very great things indeed for agriculture—calculated in money, it may be, more than other systems. Agricultural members—more particularly medium and smaller farmers and cultivating owners—have for a long time back figured at the top of the list of callings represented among its adherents. At the present time their figure stands, collectively speaking, at 27·05 per cent. of the entire membership, with 2·53 per cent. of agricultural employees to support them; whereas jobbing artisans, the class that follow next, muster only 23·76 per cent. And the proportional number of agricultural members has for some time kept steadily increasing. People do not usually join a movement—of seventy years' standing, be it remembered—when they fail to find their account in it. No doubt, according to the exposition of theorists, their application to agriculture presents difficulties. However, practice has long since discovered how to get over such. The main difficulty is the length of time for which, for agricultural uses, money is as a rule required. There are various ways of meeting that difficulty. A strong bank with active business of

other kinds—which business is, so to put it, made to carry slow-going agricultural business along with it—can afford to overlook the difficulty altogether. So it is in the case of the Augsburg bank, about to be quoted as an instance, which calls itself specifically "agricultural," but returns only about 20 per cent. of all its business as strictly speaking "agricultural." The Gotha bank, likewise to be mentioned, is enabled to assist agriculture by reason of the ample savings deposits which come pouring in to make "good, lying money." Apart from the town of Gotha its genuinely "agricultural" membership amounts to more than 50 per cent. of the whole. In a small bank like that of Walldorf, on such reduced scale, the question of supply and demand is apt to regulate itself in another way. It is difficult, generally speaking, to distinguish nicely between "agricultural" and "non-agricultural" loans. They are not very well to be separated. An inquiry was made in a number of Schulze-Delitzsch banks in 1885, when it was found that 545 such banks, having among them 270,808 members, 72,994 of whom were purely agriculturists, lent out to these latter no less than £6,982,996, about one-fifth of their aggregate lending; and that in 1894, again, 546 such banks, having among them 261,521 members, 82,513 being purely agriculturists, lent out to these £8,853,751.

The following examples, taken from actual experience, may serve to make the matter clear.

There is, first, the great "Agricultural Credit Association" of Augsburg, the premier bank of the whole connection. It is really not a Schulze-Delitzsch bank at all, in the strict sense of the term, though it has for practical reasons attached itself to the Union. But the differences in the two systems are so absolutely trifling as practically not to come into account. The bank was originally created for the benefit of agriculture, and endowed at that time in part, and of course more than correspondingly controlled and directed, by the State. That State interference the director, Herr Hederer, soon saw, must be got rid of at all costs. It was so, and with it the State endowment, and the bank is all the stronger for the loss. True to Schulze-Delitzsch rules,

the bank adopted unlimited liability, and, to raise ample money, it issued large shares of £50 apiece, of which members were allowed to take several. Since 1889 not only has this plurality of holdings been rigorously eliminated from the system—except in the case of older members, who are allowed to retain two as the maximum number—but, moreover, in the case of new members, the bank declines to allow more than one-tenth, that is, £5, to be paid up. That small proportion may be paid up by instalments of as little as 2s. a month. The bank had, ten years ago—I possess no more recent figures—about 13,000 members, who had among them paid up about £90,000. (The share capital had shortly before been advisedly reduced.) The reserve fund accumulated represented £38,000 more. The bank is administered, like ordinary Schulze-Delitzsch banks, by three directors, forming the *Vorstand*, and a Council of Inspection of nine, which nominally decides upon the loans to be granted, all materials for decision having been got ready for it by the directors and the staff. The admirable and complete way in which all information required for reference is kept, always handy, well arranged in boxes, books, and card catalogues, is particularly deserving of notice. The bank grants every year about £1,300,000 to £1,400,000 in loans. All such loans are under the Act of 1889 restricted to members only, and accordingly not a few members go "in" and "out"—just as convenience may prompt them to join or to resign. Of all that lending only about £240,000, that is, about one-fifth, is done to agriculturists, scattered over the whole of Bavaria. There are about 7,500 of these, and in the course of a year the bank probably grants 7,000 or 8,000 agricultural loans, amounting on an average to £30 each, though some of them mount up to £1,500 and even more. The smallest do not exceed 50s. Much industrial lending is done by means of cash credits. For agricultural purposes that method is found inconvenient, because transactions are too few. Therefore, borrowers, as a rule, raise money on acceptances or promissory notes, on which generally both the date and the name of the payee are left blank, in order that both the expense of a fresh

stamp on renewal and the trouble of obtaining new indorsements may be avoided. Such loans are held on from three months to three months, the longest term allowed for borrowing without repayment of any kind being eighteen months. Provided that part-repayments are made, the loan is often allowed to go on for a long time, five years and more, according to circumstances. The interest charged is generally speaking about 5 per cent., but commissions raise it practically to 6⅝ per cent., all of it payable in advance. The losses sustained had in the thirty-eight years of the existence of the bank proved so trifling as practically not to come into account. Alike for its own convenience and for that of members living at a distance, the bank employs agents stationed all over its province, wherever there appears to be an opening and wherever a suitable man can be found. It is the special office of one of the directors to appoint these. There are in all something like 250 agents, generally merchants or tradesmen in a good position in their particular locality, remunerated at the rate of ⅛ per cent. on business done through them. None of these agents have a definite district assigned to them. Any member is free to apply to any one of them for a loan. But should he go afield to make his application, when he has an agent near, of course inquiry is instituted into the presumable cause of such proceeding. There appears to be considerable scope for the exercise of energy in such agencies, for one of the directors told me of one agent who had in a little time increased his takings in commission from *nil* to something like £40 or £50 per annum. The agent is given no power whatever. He simply forwards applications, makes inquiries, advises the Central Bank, and pays out moneys at his principals' direction. It is the authorities at Augsburg who decide on the applications made. The better to be able to form a judgment, they secure the assistance of a confidential agent in each district, who is unpaid, and whose name and person it has proved practicable to keep altogether secret. By such means the bank manages to serve a very large district effectively and with safety. And its services appear to be appreciated; for its position keeps improving.

To take another bank, very differently conditioned—there is that of Insterburg, in Eastern Prussia, reputed one of the best banks in the Schulze-Delitzsch Union. This bank, founded in 1860, has a smaller area in which to carry on its business, and its members' roll does not exceed 4,244, about 1,400 being persons engaged in agriculture, and cultivating from 2·5 to about 2,500 acres each. More recent figures not being available, owing to the war, I quote those of ten years ago, which are near enough to give a correct idea of the bank's position and operations. A share capital of £98,338, supported by £23,380 reserve funds, with £247,000 deposits, which is considered more than ample for actual requirements, enables the bank to dispose of about £1,749,523 annually in loans, at rates of interest varying from 4½ to 6 per cent., according to the "quality" of the borrower, of which amount probably more than half goes to agriculture in amounts varying from as little as 5*s.* up to £1,500, but averaging generally £17 10*s.* The lending is always done on acceptances or promissory notes, drawn for three months at a time, but renewed on very easy terms—that is, in consideration of very trifling repayments—so that there are loans outstanding which have run for fifteen and even twenty years. For the purpose of providing information as to the qualification of borrowers, the bank—which confines its operations to the area of something like a petty sessional district—has confidential agents stationed in various localities, all of them being members of the bank, unremunerated, and all of them considered persons who may be relied upon to give trustworthy information, not only in consideration of their established character, which determines their selection, but also because their unlimited liability pledged to the bank makes it their interest to do so.

The Credit Association of Gotha is another bank often held up as an example in respect of its agricultural lending. This is a bank which has, by a long and successful practice, made good its hold upon almost the entire little Duchy of Gotha. It is particularly popular as a savings bank, and twice a week, on market days, its office is more than crowded

with depositors. The general centralization of local business life in the little capital of course helps the bank very materially to obtain information with respect to borrowing members. To inform itself more fully, it has more than fifty local committees, consisting of from three to five persons each, understood to be men of independent position, and therefore likely to be unbiassed, appointed in various localities. These committees subject all applications made for loans in their district to a careful investigation, and advise the bank, each member by himself, writing down their answers to the questions put on printed forms, and forwarding these, folded like voting papers, to the central office, which holds itself in no way bound by the opinions expressed, but decides absolutely at its own discretion. The questions asked of agents are put mainly with a view to ascertaining whether the applicant is a trustworthy person and doing a good business, not what he is actually worth. In a stable and steady population like that of the Duchy, it is not difficult by this means to avoid bad business. The local committee-men receive a very small commission on business negotiated, which very often goes in a harmless little common jollification at the end of the year. It does not amount to very much. By such means the bank manages to cater financially, very effectively, for the 3,000 or so of its members (out of a total of 4,000) settled in villages. They are not necessarily all agriculturists; many are tradesmen or artisans. The loans, though granted in each instance for three months only, are readily renewed up to thirty, provided that one-tenth is paid off at each renewal. Strong in its command of money, the bank renders very useful service in lending, not only to individuals, but also to agricultural supply associations, co-operative dairies, societies letting out threshing machines, cattle-breeding and sheep-raising associations, and similar bodies practising co-operation in the service of agriculture, as well as to village councils and other local bodies. The bank lends out annually about £563,060.

To quote a fourth instance—there is the little village bank of Walldorf near Meiningen, a very much smaller

institution, but of the same type, which has a capital of only £1,750, and about 200 members, in a village peopled by about 1,500 inhabitants. It has its regulation three officers, one of whom is the schoolmaster, who receives from the Society an annual salary of £15. His two colleagues between them receive only £11. In so small a place of course neither confidential agents nor local committees are required. The Council of Control and the Committee know pretty well all that it is requisite to know about applicants for loans. They manage to lend out annually about £1,750, not counting cash credits, of which, when I was in the place, there were nine outstanding, amounting in all to £1,240. The maximum loan allowable to one person is £300. However, the majority of loans are for considerably smaller amounts. I ought to mention that in this bank, as a departure from ordinary Schulze-Delitzsch practice, all money is lent simply on note of hand, no promissory notes being employed. There are practically no losses, and the management expenses total up to about £50 a year, including salaries. The little bank, which has been growing since 1869, has, I may add, successfully managed to oust a usurer from the village who was a curse to the district. What pleased me particularly in this bank was the close touch and active interest maintained among members, not a usual feature in Schulze-Delitzsch Banks, but to be accounted for, of course, in this case, by the smallness of the district and the absence of other objects of interest.

I must quote just one bank more, because it appears to me particularly interesting by reason of its locality and peculiar circumstances. The bank of Cosel, in Silesia, is situated in a district almost entirely agricultural, and still rather primitive in its institutions. The population to a large extent consists of Poles, some of whom are so illiterate that the bank managers have found themselves constrained to dispense in many cases with those written applications and receipts which are otherwise held to be absolutely indispensable. Very much of the work has to be done by verbal nstruction, such as pointing out to the sureties that it is to their own interest to watch over the men for whom they

go bail, and prevent the bank from suffering loss. In spite of all this the losses sustained are so trifling that within fifteen years, on a business amounting to £6,400,000, not more than £1,500 had to be sacrificed. The bank was originally started as an industrial bank. Agriculturists, however, soon found out its value, and came crowding in in such numbers that some time ago they represented about 67 per cent. of the total of members, the number of whom is over 3,000. There are agriculturists of every description, some of them substantial yeomen, owning 600 acres and more, others small illiterate peasants. The bank has a capital of about £20,000, with a similar sum accumulated as reserve fund, and generally about £150,000 of savings in its keeping. Most of its money is lent for comparatively long terms. It is interesting to note that, on an average, loans contracted to make good a deficiency in the crops, or due to some other accidental misadventure, are repaid in about two years; loans contracted for the purchase of live stock in three; and loans contracted for acquiring land or putting up buildings, or else for carrying out agricultural improvements, in from six to eight years. The bank never presses borrowers unduly, but is of course careful to make sure that the money will come back to it. For purposes of inquiry it maintains its own representatives in different localities. But it appears to rely really more upon the self-interest of sureties, whom it does not accept without adequate inquiry. To serve a *quasi*-detached district, some distance from Cosel, which includes about thirty villages, the bank maintains a distinct branch establishment in the Moravian settlement of Gnadenfeld, which forms the centre of that district. There is an accredited agent at Gnadenfeld—a local tradesman, who receives a commission of 10 per cent. on all interest collected. He has no voice in the granting of loans, but merely transmits applications and information. The practice has proved perfectly satisfactory. In all there are about 200 parishes in which the bank does business, lending out annually about £600,000. To be able to do this it borrows at times considerable sums from other banks, which it finds that it can do without difficulty.

These five instances, taken from different districts, in widely different parts of Germany, and representing typical cases, demonstrate, I should say, with sufficient clearness that banks of the Schulze-Delitzsch type are, when well officered, and managed with common sense, perfectly capable of meeting the requirements of agricultural credit, so far as they are strong in capital or credit, or else in steady receipt of deposits.

What has been said will, so it may be hoped, have made clear the practice of Schulze-Delitzsch credit associations as individual organizations. But it soon came to be perceived that, if the societies were to maintain their recognized high standing, and also to become a national benefit, they must not be left to act every one wholly by itself, but means must be found for concerting united action. Co-operation must be practised among societies as well as among individuals. Interference with the business of any particular bank, of course, there could not be. Each bank must stand upon its own responsibility and answer absolutely for itself, being left free to do as it might think best. But there was such a thing as common counsel, and, on the top of that, common control in essential features; and there might be a business centre to facilitate common business and serve as a link with the great money market.

The formation of a union was resolved upon at a very early date. And the Union was actually formed, under Schulze's auspices, in 1859. As affecting these banks, no more useful step has ever been taken. The Union is, of course, a union not of credit societies only. Every co-operative society which accepts Schulze's teaching is made welcome within it. There are distributive societies of the Rochdale type, and productive societies, building societies, and common sale and purchase societies; and in the course of time a pensions fund for employees of all these societies, so far as they form part of the Union, has been created. But the benefit to credit societies arising from common action is rather peculiar. The common counsel taken, the discussion of questions interesting banks, such as are bound to crop up afresh every year, the exchange of views and the

resolutions adopted by the annual Congress, expressive of the matured and settled opinion of the whole co-operative community, are found a very great benefit indeed, and have done much to keep co-operative credit pure and uniform, and thereby to affix, figuratively speaking, a specific stamp on every Schulze-Delitzsch society, which adds much to the confidence felt in it by the public. The most experienced, the most capable, the most public-spirited in the movement, are thereby given a means of enlightening and influencing the others, and the movement has grown the stronger for it. Such common counsel and common knowledge of one another among banks means the exclusion of the bad and the raising of the general level, and the public have come to understand this.

Time has brought forth further benefits from union. Control of each bank by its own *Aufsichtsrath* is, as already stated, the pillar upon which security rests. It is not to be replaced. It has grown more skilled as time has gone on. But in due course it came to be felt, not only that even higher skill still was to be obtained by combination, but that by means of such combination control of an additional and very valuable sort could be procured, control based upon wider and longer continued experience and the best knowledge of banking. And by degrees such control came to be applied. The organization of the Union favoured this. The Union is divided into local sub-unions—sections, as our co-operators call them—each with its own head, its own committee, and its own periodical gatherings. At the head of the collective Union stand the two bodies elected from all sections: the General Committee and a smaller Executive Committee. And these bodies convene the annual Congress, which is the Parliament of the Movement, discussing all pertinent questions and placing collective opinion on record. It was in the sections that the practice of inspection on behalf of the Union originated. A section is a very convenient unit for such purpose. It supplies just the proper amount of area for, first, one inspector, later a staff working under him. There must be some localization in the matter. For the inspector's personal acquaintance

with the banks tells in favour of thoroughness of control. The inspectors are the servants of the *Section*, and take their instructions, as well as their remuneration, from it, the Section charging the societies a fee for each inspection. In this way this kind of inspection came to be voluntarily practised in some Sections in the seventies, and was distinctly appreciated as far as it came to be known. In 1882 the annual Congress passed a resolution in favour of its extension by voluntary act. By 1885, 31 out of the 33 Schulze-Delitzsch sections had adopted it. After that it became general. So evident and unmistakable were its benefits that in 1889, when passing a new co-operative law, the German Parliament grafted a special provision upon it, making biennial inspection of such kind *compulsory* upon every co-operative society. From thenceforward the matter ceased to be one of choice only, which was a distinct advance. However, that advance brought with it a new abuse. When compelling the societies to submit to inspection, the Legislature appears to have considered itself in reason bound to provide also for the presence of eligible inspectors. More will be said in the proper place about the disadvantages attaching to inspection by officers appointed by the State. Fortunately the law permits, as an alternative, inspection by officers appointed by recognized bodies, of which the Schulze-Delitzsch Union is of course one. From Germany the practice has been passed on to other countries, and it bids fair to become general. The benefits resulting from it are everywhere admitted. Business has become safer; the number of compulsory liquidations has grown perceptibly less; hence confidence has increased. And in each particular Union the quality of the various societies composing it has become much more uniform, giving them a sort of *cachet*, ensuring much increased public confidence. As a matter of course the Schulze-Delitzsch societies elect inspection by their own officers, who meet at special gatherings held in connection with the annual Congresses, to compare notes and provide for the maintenance of uniformity on what are from time to time recognized as the soundest lines. I may add that I have found these discussions a

most interesting and highly instructive part of the proceedings at the various Congresses.

Union soon suggested other collective practices. Most of the credit associations' business is done by acceptances, and acceptances want to be cashed. It is difficult for us in this country, where cheques have been in common use for a considerable time, to realize the extent to which bill-drawing has become usual abroad, and perhaps more particularly so in Germany. Every little tradesman pays habitually by bill. Such bills are drawn sometimes for infinitesimal amounts. They are in fact the German substitute for cheques. And those bills get scattered over the whole breadth of the Empire. Under such circumstances cashing becomes difficult, troublesome, expensive, and sometimes not a little risky. It occurred to officers of the Union to establish their own bill-clearing union (*Giroverband*), which now places the services of every local bank joining in the Union at the disposal of every other bank similarly situated—free of cost; for there is reciprocity of services. That soon secured to the Union several hundreds of clearing-places—more, as Schulze rather grandiloquently boasted, than the Imperial Bank had at its command. Now that the " Dresdner Bank " has become the central bank of the Union, there are quite 2,000, which removes almost every difficulty. The benefit accruing from this arrangement does not need to be pointed out. Not only has bill-cashing been made by such means an easy process, costing practically nothing beyond the postage, but the clearing union has in addition become a highly efficient office for checking bill-drawing generally, with the result that bogus bill drawers are easily detected and societies are put upon their guard against them—which is a valuable boon, seeing (as our various Trade Protection Societies well know) that it is by giving credit where it is difficult to refuse such that the smaller class of tradesmen principally suffer loss. And now that the cheque is being slowly introduced in Germany—for the moment in a particularly cumbrous and inconvenient shape—the same clearing union is once more attesting its value as a clearing union

for cheques, and bids fair to accelerate the acclimatization of that useful instrument.

In such way one great need calling for combination was supplied. The other, the creation of a business-focussing-centre, was not quite as easy of accomplishment. Of course, banks wanted a central organization. From an early day it would happen that one had more cash in hand than it knew what to do with, at the same time that another was suffering from lack of funds. Such condition of things called for balancing. Beyond this, the entire number of banks might want to draw upon the great money market. Schulze, no doubt, was strongly opposed to an unlimited recourse to bank credit. He particularly cautioned his banks against it, and begged them to keep such assistance in reserve for exceptional cases only. M. Durand goes further and tells his banks that while they employ credit with another bank they are to consider themselves on the sick list, "in hospital," and to make every effort to get back to a healthy condition. However, some provision for obtaining bank credit there must be, more particularly since it was found that one bank was in its predicament borrowing from another, which, for reasons explained elsewhere, is not a desirable practice. Liability being at the time still unlimited, Schulze would not allow his banks to club together—as under the shelter of limited liability some of them now do without serious risk—and form a common bank, for which the liability of every society joining would be pledged without its being secured adequate means for checking such bank's transactions. He tried various expedients—among them several arrangements with non-co-operative banks. Very accountably these would not answer. Non-co-operative banks desire to do a large and remunerative business; co-operative banks want things done cheaply. In the end Schulze hit upon the plan of forming an independent, non-co-operative bank, in which co-operative capital was to be well represented on the share list, and co-operative administration on the Board. The bank was to carry on much other business, out of which to earn a good dividend; but it was at the same time to be always open to co-opera-

tive banks for their less remunerative but safer business. Such bank was in point of fact formed, and it has proved of very great service. At its voluntary winding-up its directors could truthfully take credit for it, that they had never sent a co-operative bank claiming credit and having a good case empty away. Very much of those good results is of course owing to the fact that there were undoubted friends of the co-operative movement at the head of the bank. However, unfortunately the Board got bitten with the morbid eagerness for well-paying speculative business which a few years ago carried Germany away in a financial St. Vitus' dance. Of course this did not answer. It required different operators from those who had been particularly selected for their caution. The bank suffered losses which did not jeopardize its existence, but which disposed its shareholders, when the great " Dresdner Bank " offered them amalgamation on fair terms, to accept such offer. Under this arrangement the " Dresdner Bank," with its immense resources, now acts as Central Bank for the Union, and there appears to be no cause for complaint.

The " Dresdner Bank," however, is at some distance from local banks, and in two sections, at any rate, of the general Union the desire very naturally came to be felt, to have a sectional central bank nearer home. Local banks of the smaller size still experience difficulty occasionally in obtaining bank credit. And even the " Dresdner Bank " is not in a position to judge precisely to what extent they may be trusted. A bank of their own province, so it was thought, presided over by the chairman of the section, who is bound to know exactly what is the position of every one of them, must be far better able to form an estimate. Since limited liability has become practicable, Schulze's objection to central banks formed by local banks combining among themselves has evidently lost its force. Accordingly, in 1897, Justizrath Wolski, chairman of the East and West Prussian Section, very properly ventured upon a new departure, setting the example in the formation of a central bank, composed entirely of the local banks of his district.

No other shareholders are admitted. His very sensible object was to make the Central Bank peculiarly the bank of those banks. Every bank of the district—no businest is done with any other—was to have its standing currens account at the Central Bank situated at Allenstein, and use that bank as a clearing and balancing centre. That aim has not yet been entirely attained. However, if all banks do not yet keep current accounts, they bring their deposits freely and also offer their bills for discount. In this way the Central Bank is answering its purpose well. Of the 92 credit associations composing the section some years ago 60 had actually joined. There is limited liability of course—in our sense of the term, that is, liability limited to the actual share. The paid-up share capital of the bank stood on the 31st March, 1908, at 244,134 marks (£12,206), with 26,459 marks reserve funds. The business done (one side of the account) amounted in 1908–9 to 46,864,875 marks (£2,343,244), which shows a healthy condition. Only 269,541 marks had as yet been claimed in the shape of cash credits. But bills to the value of 7,146,612 marks had been discounted in the year. There was 854,162 marks (£42,708) in hand in the shape of deposits. Directors' services being for the present still rendered gratuitously, management expenses had amounted to only about £325. The bank has always earned sufficient overplus to be able to pay dividend at the rate of 5 per cent. after providing for reserve.

Herr Wolski's example was promptly followed in the smaller section of Holstein, which accordingly since 1898 possesses a central bank of its own at Heide, with, at the close of 1908, 86,894 marks (£4,344) paid-up share capital, and 10,638 marks (£532) reserve funds, and an annual turnover (one side only) of 18,209,052 marks (£910,452). Management expenses did not reach £80. Dividend has been paid all along at the rate of 4 and 5 per cent. The bank had 557,385 marks (£27,869) employed in cash credits, and held a billcase of 257,903 marks (£12,895). All this indicates utility and a healthy condition of things. Such central banks afford a capital means of organizing co-oper-

ative credit systematically without the intrusion, in this case, of any foreign element.

How inconvenient, and even prejudicial, the lack of some central institution, to rediscount notes and stand in the breach in emergencies, may under circumstances become, we shall have occasion to see when we come to consider co-operative credit of the Schulze-Delitzsch type in Belgium and the attempts made to create it in France. For want of a "Clearing House and Financial Reservoir" of their own, the Belgian People's Banks have been led in a late hour to support the proposal for State action in the matter, which really runs counter to their whole principle; and in France the late Eugène Rostand, who in his lifetime stood at the head of the co-operative banking movement there, has owned that without some resource such as a Central Bank would afford, to draw upon—he desired it to be supplied by the public savings banks—co-operative credit could not be expected to flourish.

The time may now be thought to have arrived for taking stock and very briefly reviewing severally the strong and the weak points of the system just explained. Certainly it will have to be admitted that that system shows wonderful resource, and has provided truly inestimable benefits for those who practise it. Here is a power which in its one narrow German Union alone, embracing little over 600,000 members, has accumulated over £15,000,000 of cash belonging to those members, and attracted more than £50,000,000 of deposits—which, with such means at its disposal, has raised annually about £185,000,000 of money[1] with comparative ease, and distributed that sum, one might almost say automatically, while reducing the general rate of interest, among the most productive channels, where it employs labour, purchases raw material, and adds through its active employment greatly to the nation's abiding wealth. And all this is done in a thoroughly businesslike way, with what may be pronounced very trifling waste in need in the shape of losses. Look at its effect in a wider area and its benefits become stupendous! It has

[1] The figure for only 919 banks in 1908 was above £175,000,000.

in truth become the parent of not only much credit co-operation elsewhere, but of a very large amount of co-operation generally all over the European Continent. For however fondly our British co-operators may flatter themselves that it is Rochdale which has supplied the illuminating spark for the whole world, Great Britain is in truth answerable for the origin of only very little co-operation of the Continent—much as Rochdale principles now do, thanks to the internationalism established in co-operation, to perfect one of its forms. The great bulk of Continental Co-operation, as we see it now—apart from rural or agricultural—is the outcome of Schulze's pioneer work, and he well deserves the title that M. Luzzatti has bestowed upon him of "*il sommo maestro della cooperazione.*"

Looking at Schulze's credit co-operation more in particular, that could not have achieved all that it has but for the pronouncedly businesslike qualities which form its most distinguishing feature—those very qualities which are sometimes made a reproach to it—the cold, calculating, prosaic, purely economic action, which fails to warm the heart and twine its tendrils around it, as do more philanthropic and altruistic schemes. It is all business, calculating economic business, which does not give without taking. But, on the other hand, it is thoroughly self-reliant business, which teaches men to look, for their own benefit and that of the bank, to their own efforts only, rejecting all offers of help from outside. And it is educating business, because it implants in the minds of those who practise it sound, trustworthy business principles and trains them to business habits. Its philanthropy follows after its business is done, out of the proceeds of the latter.

Such commercialism constitutes the strength of Schulze-Delitzsch's system. Correspondingly, as naturally, it also constitutes its weakness. For the lesson which it impresses, to look for a return for effort, cannot fail in this human nature of ours to engender a tendency to greed. "Dividend-hunters," as they are called, are held in abhorrence by good Schulze-Delitzsch co-operators; but the very frequency of the denunciations pointed against them shows that there

are too many of them, generated of course by the regard habitually paid to the claims of capital. The rather frequent conversions of co-operative societies of this type into joint-stock companies exhibits the abuse of profit-seeking in another way. There can be no doubt that a large number of members join the societies simply because they find them rendering useful services, like any other banks—a little more difficult in one sense, more easy in another, certainly cheaper.[1] It is the "loaves and fishes" of convenient credit for the sake of which they join. There is in many societies not that interest shown on the part of members that there should be—than there should be, more particularly under unlimited liability, which exposes shareholders to danger—and that Schulze himself desired. General meetings are not always attended by sufficient numbers, and the physical impossibility under which comparatively small Councils of Inspection labour, of inquiring minutely into all business done, tends to throw more responsibility than was intended upon the Executive body, by reducing that checking which is the backbone of the entire system. From such a state of things to conversion into a joint-stock company is but a step. No doubt, as former members of Councils converted into company directors have owned to me, conversion into a company makes management a much easier business for themselves. And members who think only of their own momentary business wants do not at once perceive that such conversion, which may leave them for the moment with just the same banking convenience, takes away all security for its continuance. They forego their *right* to be considered. They launch their society on the course which leads to deprivation of the public of the easy credit which maintains business, since the joint-stock company once formed tends, like the Alpine snowflake set in motion, to attach itself to other

[1] Herr F. Thorwart, one of the Board of the "Dresdner Bank," in a paper published in the two last issues for 1909 of *Blätter für Genossenschaftswesen*, quotes chapter and verse to show that during the great financial crisis of 1907-8, the rate of interest charged by Schulze-Delitzsch banks was sensibly below that ruling in the market.

snowflakes and become an avalanche bank, which is apt to smother small and comparatively unremunerative transactions. Another peril latent in the system, but eally easy to be guarded against, is that of excessive credits allowed to individual members, generally of one or other of the governing bodies. That shows that checking has been disregarded, or else negligently performed, and may be expected to grow less frequent as inspection becomes more searching.

But, take it all in all, the movement has proved a most fruitful source of riches and of progress, touching up barren wastes with its Midas' hand, and diffusing material blessings around it. The Schulze movement has always enjoyed the advantage of having eminent and soundly informed economists among its leaders. In this respect it certainly holds its own in the present day, under the guidance of Dr. Hans Crüger, whose text-books—more particularly on law applying to co-operation—are appealed to as standard authorities in all quarters, even those most personally hostile, and whose rather severe criticism has rendered very useful service to more than one allied—or opposed—movement.

I shall have to speak of other systems which appeal more directly to the human heart. But envy itself will have to allow that Schulze and his successors have achieved a great work, which one cannot desire too much to see studied and understood elsewhere.

CHAPTER VII

RAIFFEISEN "VILLAGE BANKS"

No two people, setting out for substantially the same goal, could have started from two more directly opposite points than did Schulze-Delitzsch and Raiffeisen.

The story of the origin and the gradual growth of Raiffeisen's co-operative organization from its tiny beginning, as a veritable grain of mustard seed, planted on the barren soil of the neglected Westerwald, to its present commanding position, in which, to adhere to the simile, it resembles an "exceedingly great tree," spreading out its branches practically over all the world, our own dependency of India included, affording shelter to innumerable living beings rejoicing in its shade, makes rather a curious tale. It is of banks of this type that the economists quoted, M. von Dobransky, Emile de Laveleye, Rabbeno, and Léon Say—to mention no more—write in so rapturous a strain about "wonders" and "marvels." The whole thing may be said to be the result of a bodily infirmity, which brought hardship to one man, but inestimable benefit to millions.

Born in 1818 at Hamm, in Westphalia, F. W. Raiffeisen found himself in his youth destined for a military career. Before, however, he could, rising from the ranks as an artilleryman, obtain the commission intended for him, he was compelled, by a failing of his eyesight, to retire. An opening was found for him in the Civil Service, and the year 1845 saw him installed as Burgomaster (under the French law still prevailing in Rhineland) at Weyerbusch, in the bleak forest district of the Westerwald. It was in this position that Raiffeisen had the crushing troubles of the

poor peasant cultivators brought vividly before his eyes in the famine years of 1846 and 1847. His was one of the districts which the scourge of those years visited the most severely. It was a poor country to begin with, with barren soil, scanty means of communication, bleak surroundings, indifferent markets. Nature had proved a very stepmother to this inhospitable bit of territory, upon which the half-starved population—ill-clad, ill-housed, ill-fed, ill-brought up—eked out by hard labour barely enough to keep body and soul together, with the support of the scanty produce of their little patches of rye, of buck-wheat, or potatoes, and the milk and flesh of some half-famished cattle, for the most part hopelessly pledged to the "Jews."

That reference indicates a peculiarly sore point in the rural economy of Western and Southern Germany on which I have found humanely-minded statesmen of those parts to dwell with evident pain, as on a trouble perpetually harassing them. In this country we have no idea of the pest of remorseless usury which has fastened like a vampire upon the rural population of that district. Even the gombeen-man cannot compare with the hardened blood-sucker of those usury-haunted parts. The poor peasantry have long lain helpless in his grasp, suffering in mute despair the process of gradual exinanition. My inquiries into the system of small holdings in those regions have brought me into personal contact with many of the most representative inhabitants—heads of agricultural departments, judges, parsons, peasants—and from one and all—here, there, and everywhere—have I heard the self-same, ever-repeated bitter complaint, that the villages were being sucked dry by the "Jews." Usury laws, police regulations, warnings, and monitions have all been tried as remedies, and tried in vain. There are not a few Christians, by the way, among those "Jews," though no doubt originally under the natural effect of anti-semite laws the evil was specifically Hebraic. As one of their consequences, all the humbler Jews flocked into the villages, where, being practically debarred from taking up other callings, they fell back with all the peculiar aptitude and ingenuity of their race upon the small trade

—the trade in cattle, goods, corn, money, whatever it might be—of which in many places they secured an absolute monopoly. Of the iniquitous practices to which that monopoly soon gave rise this is not the place to speak at length. The "Draconic" German laws with regard to bills of exchange and promissory notes, and the peculiar regulations applying to foreclosure, the personal liability of the debtor for any balance of debt remaining uncovered by a forced sale, and lastly, the convenient practice of lending out live stock, as *Einstellvieh*, to remain the creditor's, though fed at the cost of the debtor, materially and terribly facilitate the crafty practice. Plenty of cases are cited in which the poor peasant has been compelled to take the usurer's lean and dry cow at a high price, in order to feed it up and return it, in exchange for a fresh lean one, when brought into condition and in-calf. It is a current saying, that once you are beguiled into trading with one of these Christian or Mosaic "Jews," you are as surely caught as is a fly in a spider's web. You are made to buy from him, to sell to him—all at his own prices. One of the greatest mischiefs practised is that connected with the sale of real estate, which is habitually done by public auction, on condition of the purchaser agreeing to pay the purchase money by a number of instalments. In one aspect that is a most convenient practice for both parties—the purchasers being small, cultivating folk. To the vendor it raises the price; and it practically enables the purchaser to pay for his purchase out of its own proceeds. Only it has this drawback—the vendor may want his money. And as, under the old state of things, in nine cases out of ten he sold his *Verkaufsprotocolle* (his bonds for payment of future instalments) to a "Jew," in the event of every payment not being met to the day, the purchaser finds himself at the "Jew's" mercy. Thousands of families, so I am assured, have been ruined in this way.

Under this oppressive system, in 1846 and 1847 the "Jews" were "making hay." Among the poor peasantry the distress was great. Every little wattle cottage and tumble-down house was mortgaged; most of the peasants'

cattle belonged to the "Jews"; there was little employment on the roads or in the forests—the sole available means for netting a few additional shillings; the poor land yielded but a bare pittance; and famine and ruin stared the poor inhabitants in the face. There was no one to turn to for help but the "Jews." The whole district accordingly was converted into a usurers' hell.

Naturally, Raiffeisen's heart was touched at the sight of so much misery. And when, in 1848, he was removed to a rather larger, but equally distressed district, in the same Westerwald, namely, to Flammersfeld, a union of twenty-five parishes, he promptly resolved to take up the cudgels for the poor oppressed peasantry, and declare war against usury. He set to work at once. His first raising of funds was by no means an easy process. But some small funds he managed to scrape together, and with their help he forthwith established a co-operative bakery. Co-operative bakeries have since become a popular and familiar institution in every country, and as a rule they pay. In France they manage, in a small way, to neutralize to poor consuming country folk the evils of Protection, which enriches their wealthier neighbours who have corn to sell, This one at Flammersfeld proved on its small scale a veritable godsend; for it enabled the peasantry to purchase their bread at just half the current price. The next step taken was the formation of a co-operative cattle-purchase association. That, likewise, has become a familiar feature abroad. In half the Swiss Canton of Thurgau and part of the Canton of Zürich little cattle is purchased, at any rate by small folk, otherwise than by such means. This move attacked the "Jews" in one of their strongest outworks, and reduced their mastery at a vital point. But still they held their bonds and mortgages for money debts. Raiffeisen now put his scaling ladder to the citadel. With a balance of the £300 which, in all, he had succeeded in raising, with a good deal of trouble, in 1849 he set up his first "Village Bank" (*Darlehnskassenverein*), and offered the peasantry, who would subscribe to his rules, to supply them with money for their needs.

In the retrospect it seems a puny undertaking. To Raiffeisen's neighbours it appeared hopeless. "Where was the money to come from?" "From there," answered Raiffeisen, pointing upward to Heaven. It was in that very year, possibly in that very month, that on the banks of the Seine Proudhon with a noisy flourish of trumpets opened his own far more pretentious "People's Bank," which was, as he thought, to regenerate France and eventually humanity. One can scarcely help remarking upon the striking contrast between that splendidly endowed enterprise, flush of funds, big with promise, hopefully watched by thousands of expectant Frenchmen—and yet doomed to end in nothing but smoke in less than two brief months; and, on the other hand, the modest little bank, scarcely daring to show its face, with barely a few hundred pounds of borrowed capital, unheard of outside its own small parish, and yet destined to grow up a flourishing institution, distributing millions through its thousands of channels, and establishing plenty everywhere wherever it set foot—proceeding victoriously on its triumphal progress long after its early rival had been forgotten—except as a curiosity in the reading of political economists. That little bank, to which no one has ever contributed a penny in share capital, which has lived by lending money as cheaply as it possibly could, and finding means for borrowing still more cheaply, two or three decades ago resolved upon dividing its reserve (having forsaken its founder's co-operative principles), and discovered that that fund, the product of tiny surpluses arising from petty transactions among its members, had grown to more than £2,000.

The Flammersfeld Loan Bank did its work well. The "Jews" found themselves compelled to relax their grasp, and the peasants were given a new lease of life. Like Schulze-Delitzsch, Raiffeisen had carried his idea to practical triumph, which it only remained for him to follow up. As an advocate of his cause he was as unlike his rival as could be. Modest, unassuming, content to do his work in his own circumscribed sphere, he attempted no advertising and no noisy propaganda. If his work was good and useful,

he trusted that it would prove its own best advocate. The result has amply justified his confidence. His system at first spread very slowly. It was five years (1854) before a second bank was formed—and of that bank Raiffeisen was once more the founder, on his removal, once more as Burgomaster, to the district of Heddesdorf, now incorporated in the town of Neuwied. Not till 1862 was a third established, not till 1868 a fourth. Really not until 1874 did the Loan Banks become at all widely known, and not till 1880 did they begin to multiply perceptibly. From that time forward, however, they spread with astonishing rapidity. By 1885 their number had, in Germany alone, grown to 245, by 1888 to 423, by 1891 to 885. The very material service which they rendered to agriculture in that terrible year of drought, 1893, added a further stimulus to their multiplication. In that period of trial it was shown that they could do more to give assistance, by self-help, than the State with its well-filled purse. They enabled cultivators, by co-operation, to remove their live stock, for which they lacked keep, to districts in which it would still fetch a decent price. They laid up stocks of feeding stuffs, which, being bought in good time, could be sold cheaply to members, and help them to tide over the period of distress. And when the drought was over, they supplied cash wherewith to re-stock farms and folds on easy terms. By New Year 1896 their number had increased to 2,000, by 1st May to 2,169, not counting even more kindred associations independently organized. At the present time it stands at over 5,000, with at least 12,000 others formed after the same pattern. Wherever they went, as Laveleye says, they succeeded, and made themselves general favourites. Governments now encourage them, provincial Diets ask for them, priests and ministers pronounce their benisons upon them, the peasantry love them. When in 1888 it was announced that Raiffeisen had breathed his last, half Germany mourned over her benefactor by the name by which he is still fondly remembered, that of "Father Raiffeisen." At the present time, not a day passes without notices coming in of the establishment of one, two—as

many as five. By far the largest increase recorded annually in the number of co-operative societies existing in Germany and in Austria stands to their credit. Both their spread and their reputation seem deserved, especially since, after seventy years' experience, they can still make it their boast that losses in them have been infinitesimal.

It is rather difficult to compare Raiffeisen's banks with those of Schulze-Delitzsch. Both have grown up amid essentially different surroundings, in different spheres of action, with different objects in view. Schulze worked in the main in populous centres, and mainly for the benefit of men not of the poorest class. His banks were not intended to benefit the very poor. Raiffeisen worked only in the country where population is mostly sparse, and his specific object was to benefit those very poor people otherwise left out in the cold, and to benefit them in the most effective way. So he came to the conclusion that he must exact nothing whatever from members joining, and that he must make long credit the rule. Calling upon a poor man, who deliberately joined in order to borrow, to pay down money, would to his mind have amounted to sheer mockery. His very reasonable principle was this : to make a loan at all serviceable to a poor or embarrassed man, sufficient time must be given to allow the loan to repay itself. To tax other resources for repayment would be, not to help, but to cripple the borrower. He might want the money for buying manure, or seed, or feeding-stuffs. In that case he could scarcely be expected to repay it before a twelve-month. He might want it to improve his herd of live stock, or to build a barn, or sink a well, or else drain a field. In such cases he must be given credit for two years, for five, or ten, or even more.

In brief outline, the system upon which the Raiffeisen practice is based is this. Raiffeisen begins by confining each association to one particular district—a parish by preference, but if one parish be too small (he does not favour districts with less than 400 inhabitants), and if the matter can be conveniently arranged, a union of two or three. Within these narrow limits members are elected, *on applica-*

tion, with great care and discrimination, by those who have already joined. The object is not, to secure a large roll of members, but rigorously to exclude every one who is not really eligible. That done, the association is organized on entirely democratic lines. No difference of any sort is recognized between poor and rich, except that the better-to-do, bearing the brunt of the liability, are by accepted understanding allowed such part in the administration as will enable them to safeguard their interest—say, like a surety in Scotch "cash credit," by withdrawing their "surety" before a risky operation is embarked in. Both on the Committee—in every case consisting of five, and charged with all the executive work—and on the Council of Inspection—consisting, according to the size of the district, of from three to nine members, and entrusted with checking and supervising the Committee, overhauling all that it has done at least once a quarter—it is understood that the better-to-do members (without a sprinkling of whom Raiffeisen would, if possible, not have an association formed) should be in a majority. It may be worth pointing out that it is only recently that the minimum number of members to form the Council of Inspection has been reduced from six to three, that being done in deference to practical considerations, since it has in some cases proved difficult to form a *large* Council of the desired efficiency. Where practicable, however, a Council *larger* than the Committee of Management is in all cases held to be preferable. The members of the Committee are elected for four years, two retiring every two years. The members of the Council are elected for three years, one-third of the number retiring each year. The Council is invested with power under certain circumstances provisionally to discharge members of the Committee, subject to confirmation by the General Meeting. The chairman of the society was formerly elected in his own right by the General Meeting, and became as such *ex officio* chairman of the Committee. Raiffeisen once laid it down that as soon as a chairman was found and an actuary (or secretary) appointed, the "bank" might begin business, waiting for members to drop in. The preference is now

given to the practice which I have long since suggested for our country, of leaving the Committee, elected at the General Meeting, to appoint its own chairman, who as such becomes the executive head of the bank. Neither members of the Committee nor members of the Council of Inspection are allowed to draw a farthing of remuneration, be it in the shape of salary or of commission—although of course out-of-pocket expenses are refunded. Every chink and crevice is deliberately closed against the intrusion of a spirit of cupidity or greed, so as to make caution and security of necessity the guiding motives of action. One man only is allowed to be paid, namely, the cashier; and he has no voice whatever in the employment and distribution of the money, being merely an executive agent. To make quite sure of everything being kept fair and square, the Central Office not only insist upon having all accounts sent up to headquarters, to be there checked, but in addition employ a staff of inspectors continually travelling from association to association, examining books, inspecting accounts, and overhauling the whole business of every association, at least once every two years. It is a recognized principle that the "banking" practised should consist, in the main, of borrowing and depositing only. That was Raiffeisen's idea of village bank business. Only very sparingly have in recent times cash credits and other banking business found their way into the accepted programme. There is no reason why they should not be practised, why—wherever the prerequisite conditions for such transactions are found to be present, consisting of security (specifically for cash credits) sufficient to satisfy the Committee, and familiarity with banking practices among those who ask for such services—"Village Banks" should not become village "banks" indeed. However, the Raiffeisen Village Banks are rightly chary in rendering such services which, if lightly given—as they are in some other quarters—might, as they have done there, lead to serious loss. They always involve risk. And risk is the one thing which the Raiffeisen associations will not wittingly incur. There are no acceptances, no pledges. "*Ce qui me plait dans*

les banques populaires agraires, c'est qu'elles font du crédit personnel—le crédit tout court, sans phrase," so wrote Léon Say. And they supply such personal credit by the simple process of borrowing and lending—borrowing on the credit of the society, in order to dispense credit to its members. As the rules were originally framed, no member was asked to pay down anything on joining, either for a share or for entrance fee. To the present day entrance fees are not permitted. With regard to shares the Legislature has, by its law of 1889, overruled the accepted regulation, and insisted that there must be shares. The Raiffeisen associations met such dictation by making their own shares as small as possible, generally 10 or 12 marks, at most 15 marks, payable by instalments. Raiffeisen advisedly would have no dividend, because there is to be no direct profit, and because dividend is apt to make people greedy. Once more the Legislature overruled him. However, the members of the "Village Banks" have voted all their dividend away, once for all, to two different reserve funds, keeping back only sixpence a head, which goes in subscription for the official publication of the associations, in which the balance-sheet of every bank has to be published. All through, it is one of the essential features of the organization that individuals are not to derive any benefit from the bank except the privilege of borrowing, and that every farthing which is left over out of transactions is rigorously carried to one or other of the two reserve funds instituted. One of these is an ordinary reserve fund out of which to meet occasional deficiencies. The other, called "Stiftungsfonds"[1] (that is, endowment fund) to which without fail two-thirds of the annual surplus must go, is an entirely peculiar feature. It belongs wholly

[1] This name was adopted in 1889 under the new Act, which made the designation of *Vereinsvermögen* (property of the Society) no longer appropriate, inasmuch as such "property" must be disposed of in some way by vote every ten years. That would have been a death-blow to Raiffeisenism. Therefore the Ac had to be circumvented somehow. Recently the German Parliament has passed a short Act re-instating the "Property of the Society" in its old rights.

to the bank, and must not be shared out on any account or pretence whatever. This second reserve fund really is the backbone of the whole system. Little by little it keeps increasing, but with "mony littles making a muckle," it grows up in course of time to an impregnable rock of financial solvency. Its first object is to meet deficiencies or losses for which only with hardship could individual members be made responsible. Its next, of course, is to supply the place of borrowed capital, and so make borrowing cheaper to members. Lastly, should it outgrow the measure of such employment, it may, at the discretion of the society, be applied to some public work of common utility benefiting the district. Not even in the event of the association being dissolved is any sharing-out permitted, lest a rich association be tempted to dissolve for the sake of the spoils. In the case of a dissolution it is provided that the money must be handed over to some public institution to be kept on trust until required for the endowment of a new association formed in the same district, and under the same rules. Or, that failing within a reasonable time, the reserve may be employed for some useful local public work. Thus the whole fabric is built up on the lines of pure co-operation, of safety, caution and stability.

This same principle is applied also to the practice of lending. Loan association though the association is—for safety's sake, it deliberately makes borrowing, not easy, but difficult. Indeed, the whole machinery is so framed as to *check* borrowing rather than to encourage it. Money is, indeed, to be provided for every one who needs it; but in every instance he is required first to make out his case, and prove alike that he is trustworthy and that his enterprise is economically justified. There is nothing which the associations more determinedly set their face against than mere improvident borrowing, stopping up one hole by making another. If an applicant to make out his case, be he ever so poor, the money will be placed at his disposal. Without such proof, be he ever so wealthy, the money is sure to be refused. And, once the money is granted, to the specific object for which it was asked must it be conscien-

tiously applied. Once every three months the Council of Inspection review the position of debtors and their sureties, and consider the employment given to the loan money. Should a surety be found to have deteriorated in value, in the interest of the association, a better surety is at once called for. And should that demand not be complied with, or should the debtor be found to have misapplied his money, under a special clause the loan is at once called in, at four weeks' notice. This may seem harsh dealing. But it is absolutely necessary for the security of the association. And in practice it has not been found to work at all harshly. Those who apply it are the debtor's own neighbours, who are sure not to have recourse to such *ultima ratio* except in cases of positive necessity. As a matter of fact, it has scarcely been resorted to at all—which just shows its value as a birch-rod on the mantelpiece. In another respect the banks are—wisely—equally inexorable. Alike interest and principal, so they insist, must be paid to the very day. The principal is, for all loans running any length of time, made repayable by equal instalments; and on any point rather will the association give way than on that of prompt and punctual repayment. Not only does this arrangement materially facilitate the carrying on of the business, but it is far more valuable still as training the borrowing folk to habits of punctuality. "Our country folk"—so says M. Garreau, a man of some experience, in agreement with many other writers—"are capital repayers, but without training they have absolutely no idea of the lapse of time." The service, then, which these associations render by instilling into these men both business habits and the sense of a duty to meet engagements promptly, is very considerable.

In the matter of method, lending is advisedly made as simple and as easily intelligible a process as possible. All that, as a rule, is asked for is a note of hand, unbacked, or else backed by one, or more generally two sureties, according to the circumstances of the case. That, of course, precludes all raising of money by passing on acceptances. The difficulty has been met, in the case of the Central Bank requiring additional money, by asking societies, in special

cases, for acceptances earmarked for the particular purpose of being passed on. Such acceptances are, of course, pure accommodation bills. Occasional recourse to such expedient was judged preferable to forcing acceptances, of which the rural population have an unconquerable horror, upon the latter. Otherwise every farthing that is wanted, so far as it is not supplied by the savings or other deposits paid into the banks, has to be raised by borrowing. At the outset that may appear rather a cumbrous process. But what with a high reputation secured by exemplary business habits, and the substantial guarantee of unlimited liability of all members, the banks have long since gained for themselves a position commanding ordinarily easy credit at the cheapest market rates. Confidence in their security is so well established that (as appears on official evidence from a report published in 1875) in Rhineland Law Courts actually allow trust moneys to be paid in to them on deposit; and in those two critical epochs of crucial testing of German credit, the years of the two great wars, 1866 and 1870—when deposits were withdrawn wholesale from other banks and when even diplomatists like Sir R. Morier found it difficult (so he himself reports) to supply themselves with money—deposits were actually *pressed* upon the Raiffeisen Banks, for safe keeping, though it should be without any interest at all.[1] During the great war, which began in 1914, these societies have once more earned for themselves an excellent record as deservedly trusted keepers of depositors' money, and also providers of advances in cases of need. In truth, the savings deposits alone go a long way. Some banks have, at the outset, to do as good as altogether without them. But in not a few of the older established they supply actually all the local demand and even more.

Raiffeisen co-operation has been the first form of co-operation to reveal to the world the unlimited possibilities contained in co-operative credit as a promoter of other forms of Co-operation. In the matter of Co-operation—whether for supply, distribution, production or common work, or

[1] The same thing happened in the case of the Schulze-Delitzsch Banks.

whatever the object may be—before Raiffeisen credit developed, rural Germany was a barren waste. Credit came upon the scene and forthwith the soil brought forth flowers and fruit in abundance, shaming us by the number and the remarkable success of its agricultural co-operative organizations. In the wake of Credit co-operative supply, production, dairies, and any number of distinctive co-operative organizations have sprung up. Not to speak of supply and the like, co-operative dairies have been organized freely —to a large extent under the generating shelter of credit societies. There are co-operative dairies formed without such assistance, some with very substantial capitals subscribed by members. But in many cases the credit society has proved the direct parent and first feeder. The bank has found the money, repaying itself out of the business. Keeping back 1 pfennig ($\frac{1}{8}d.$) on every two pounds of milk delivered enables the dairy, as a rule, to pay off such debt in about ten years.

Then there are the useful vinegrowers' associations, which have from Germany found their way into Italy, Transylvania and France, where they answer equally well, and which an attempt has been made to acclimatize in Cyprus. In Germany they have had their periods of trouble. But the advantages of cheapness combined with purity of the product have generally managed to carry the association over such shoals. On the Rhine, the Ahr, the Moselle, and in Transylvania such associations prosper well. Their work consists as a rule in common pressing of the grapes, though there are some societies which simply act as sale societies, collecting the ready-made wine and disposing of it. Generally speaking the grapes are delivered to the common press, where they are at once tested for sugar, which is the determining factor in their valuation. According to the percentage of sugar shown the grower is at once credited with the money value, in accordance with a scale fixed beforehand, which money value a credit with the bank enables the society to pay in cash. The scale is always so fixed as to leave the society on the safe side and keep some balance to be handed over to the grower at the close of the financial year. How-

ever, growers attach importance to being paid the major portion at once. And thus far all the wines produced are "small" wines, which do not want to be kept long. The wine is then disposed of as opportunity may permit, and the accounts are eventually closed. The addition to the price realized makes the latter generally rather more liberal than that which the grower used to obtain when operating for himself. Thus grapes which used to sell at 18 to 20 pfennigs per pound have, through the associations, realized 30 to 48 pfennigs, grapes which used to sell at 12 pfennigs, 25 pfennigs, and so on. The result depends upon the hold which the co-operative vintry can manage to establish upon the market. Their supremacy cannot always be maintained in the face of opposition from the professional dealers. At such times the public, which has an interest in the purity of wine, should stand by its friends. Also, so it must be admitted, some societies, urged by a spirit of greed, have acted foolishly and attempted too much, with instructively disappointing results. It was over such distinctly speculative enterprises in wine selling, which the Central Bank, with misapplied "co-operative spirit," held itself bound to bolster up, that that institution lost fairly stiff sums of money. *Ne sutor supra crepidam!* In simply selling their members' own produce to better account such societies have generally kept themselves safe.

The societies for the purchase, in some cases the manufacture, very often the common use, of implements and machinery, have proved decidedly successful. Entire installations of electric power and machinery have been provided in this way. In a similar fashion local banks have assisted towards the formation of hop-growers' associations, and, lastly, towards the formation of grain-selling societies, some of which, although the problem tackled is generally admitted to be beset with difficulties, have under good management achieved signal triumphs and substantially benefited their members.

The multiplication of Village Banks has as a matter of course led from co-operation among individuals to co-operation also among associations. Throughout Germany

societies have been grouped in unions, of which there are now thirteen, extending from Eastern Prussia, Posen, and Silesia to Rhineland and Alsace-Lorraine, each with its own Committee and chairman. And at the apex of the whole fabric stands the *Generalanwaltschaft*, with its Representative Council and the Annual General Meeting to check and direct its action. Since 1877, moreover, the union of associations possess their own Central Bank, in which the affairs and interests of the whole system are, so to speak, focussed, and which has proved a very appreciable convenience and source of common strength, and, moreover, a most useful intermediary between local banks and the general market, as Dr. Koch, while President of the Imperial Bank of Germany, has testified in the German Parliament.[1] From an early date the Imperial Bank of Germany, a public institution, on the ground of the proved solidity of the Raiffeisen organizations, allowed their Central Bank at Neuwied (now removed to Berlin) special preferential terms for advances, which it made to that body freely. That privilege was withdrawn when in 1895 the State-endowed *Centralgenossenschaftskasse* was created, specially to take over such business. The Raiffeisen Union did not at first avail itself of the services offered by the new *Kasse*. After, some years ago, it had suffered itself to be persuaded to enter into business relations with it, it benefited for a time by the credit so opened to it. Those relations, however, came to a sudden end in 1911, when, provoked by State interference, the Raiffeisen Central Bank withdrew from the arrangement, transferring the business very satisfactorily to the Dresdner Bank. The Central Bank is really a joint-stock company, based on *limited* liability only. It derives its strength from the local associations. The bank is intended as an institution only for the benefit of the Raiffeisen associations. It does absolutely no business outside the Union. It is intended to serve as a common cash box, balancing excess and want, and facilitating common business. Since the dividend payable on capital is limited to 3½ per cent.—all surplus being carried to the reserve fund—and since the

[1] *Kölnische Zeitung*, 27th March, 1895, No. 269, see page 73.

business has become large, the bank can lend out to local associations at very reasonable rates, all the more so since in the institution of the Dresdner Bank it has a reserve, with for its purposes virtually unlimited resources, to draw upon for advances and rediscounts given on favourable terms. The Central Bank, which, as observed, has quite recently been removed from Neuwied to Berlin, lends out to local societies in ordinary times at the rate of $3\frac{3}{4}$ per cent., and allows them $3\frac{1}{4}$ per cent. on deposits up to the sum of £500 and $3\frac{1}{8}$ per cent. beyond. Its business is so simple—I have seen it all done on the spot—that 1 per 1,000 of the turnover suffices for all expenses. The turnover has grown very considerably. In 1877 (four months only) it was £9,000. By 1880 it had increased to £56,000, by 1890 to £500,000, and by 1894 to £1,400,000. It was then decided to create provincial branch banks acting as *succursales* to the Central Bank. There are now thirteen such, established severally at Königsberg, Danzig, Berlin, Erfurt, Breslau, Cassel, Frankfurt, Coblenz, Brunswick, Strassburg, Nuremberg, Posen and Ludwigshafen. None of these branch banks did a considerable business before 1895. But the aggregate turnover rose at once in that year to £3,000,000. By 1908 the annual business of the Central Bank and its branches—in money only—had risen to 758,190,505 marks (£37,909,500). There are now 4,629 local banks holding shares in it, and the total share capital subscribed stands at 10,000,000 marks (£500,000), of which 9,577,000 marks is paid-up. And so far from being in debt to the State-endowed bank, with which it then for a short time stood in business relations, the Bank had 3,088,000 marks (£154,400) standing with it to its credit. The main office of the Central Bank by itself did an annual money business of £16,841,300. That does not represent the total amount of lending and borrowing done between bank and bank in the Raiffeisen connection. Much business is done among local banks without the interposition of the central institution through the *succursales*. Herr Cremer, when at the head of the Union, estimated that, thanks to such co-operative banking, the current rate of interest generally in Germany had been

reduced by about 1 per cent., and credit had been cheapened to that extent. The Central Bank with its branches has become a veritable Little Providence to the local institutions, enabling new banks to establish themselves and grow up with a credit granted to them, which places them in a position to do without other borrowed money, and to dispense even with local savings, while weak and not qualified to attract such. At the same time the authorities at the Central Office own themselves satisfied that in the unlimited liability of the members—after inquiry in every case—they have ample security for their advances.

The possession of a Central Bank has enabled the Central Office to multiply its services in a very acceptable manner to the local associations and their members. Among other things, it has helped it to establish centralized co-operative supply, mainly for agricultural purposes—implements, feeding-stuffs, manures, seeds, and also coals—which was very much needed. It amounted in 1908 to 72,258,921 marks (£3,612,946) in respect of business passing through the Central Bank alone, out of the profits of which it is a standing rule that (after writing down depreciation) a dividend on purchases should be allowed at a rate rising from 33⅓ to 66⅔ per cent. according to the smaller or larger amount of business done—the more business the higher the dividend; out of the balance remaining 3½ per cent. is allowed on share capital, and 20 per cent. is added to the regular reserve fund, all remaining surplus being carried forward. To this in due course has been added a much appreciated distributive service for the sale of household requisites, that is, groceries, dry goods, and everything that is likely to be wanted in the household. Originally such trading was carried on, not by the Central Bank, but by a distinct central body, a trading firm formed as a joint-stock company, in the hands of individuals. It was to disarm criticism on the score of such arrangement not being "co-operative," that the trading firm was dissolved and its business handed over to the Central Bank as the only then existing common central body. Such arrangement, as I have frequently pointed out, entails many drawbacks. It

is apt to confuse accounts, and to lead the Central Bank into difficulties. It is therefore satisfactory to be able to report that, since the date to which the figures quoted above refer, the trading branch has been entirely separated from the money department. Each branch is now conducted as a distinct institution. Both branches of business have benefited by the separation. Like the focussing of business in a Central Bank, this new feature of Village Bank co-operation has been pretty widely copied by other co-operative and *quasi*-co-operative institutions, and by this means co-operative supply has of late years spread very rapidly all over rural Germany, so as to have very far outstripped anything that we have to show in our country.

The uses of centralized co-operation—among a body of societies which now exceeds 5,000—do not end here. The local associations have long since learnt to carry on not a little co-operative trading on their own account in their own localities, in some cases forming supply associations by the side of the credit societies, which employ bank money raised by credit, but keep their operations and liabilities distinct. There are local associations which in this way do in their own little villages as much as £2,000 worth of supply business in the year, and, indeed, this business is now increasing very rapidly. To focus supply business a special organization has been created with twelve headquarters, which do a very large business. Those Central Supply Departments require credit for trading purposes as banks do for credit purposes. And they raise it from the Central Bank by a distinct service, the volume of which in 1908 reached the figure of 255,644,020 marks (£12,782,200). Beyond this the Central Bank provides, by means of agreements which it has concluded with large insurance companies, insurance against fire, hail, burglary, embezzlement, mortality among live stock, employer's liability, and also—a practice very usual in Germany—against loss of money *in transitu*, as well as for life insurance, at materially reduced premiums.

With the help of its centralized institutions, and in virtue of its own inherent sound principle, the small "grain of

mustard seed " planted in the obscurity of the barren Westerwald has, as observed, long since become an " exceeding great tree." To measure its results and gauge its full utility we must not stop at the border of the Raiffeisen Union itself, with its more than 5,000 societies—more than 4,300 of which are simple credit societies—imposing as those figures are. We shall have to extend our survey to the " Adaptations " in Germany—more in number, though less pure in principle—and to the host of imitations occurring in other countries, now including, in addition to Austria, Russia, Belgium, Holland, France, Italy, Serbia, Bulgaria, etc., also Ireland and India—of all which organizations the Neuwied Society is the direct parent. Here is a vast good work done, the beneficiaries from which have good cause to remember with gratitude the half-blind Burgomaster of Rhineland. In Germany the Raiffeisen Union proper at the close of 1912 embraced no fewer than 5,286 societies, 4,373 of which were credit societies, and 913 productive. Of the powerful impulse which Raiffeisen Credit Co-operation has directly given to agricultural co-operation in a wider province, as represented by dairies, vintries, as well as by breeding societies, distributive, common purchase, and common-use-of-machinery societies—only a mere handful of which class of organizations existed before, I have already spoken. At the close of 1907, 4,102 credit societies sending in returns reported their collective membership as 405,819. The collective balance-sheets showed 490,734,834 marks assets, and 489,234,357 marks liabilities. The collective share capital amounted to only 3,625,045 marks. But there were reserve funds of 13,698,485 marks. There were 390,052,933 marks of deposits and 18,300,581 marks cash balances due to members. Of the former sum 146,194,777 marks had been paid in during the year. The total amount outstanding in advances was 373,733,100 marks, consisting of only 71,464,079 marks in cash credits, and 302,269,021 marks in specific loans. Of the latter amount—most of which runs for long terms—63,780,931 marks had been granted during the year 1907. The business on current account showed 97,105,757 marks paid out, and 80,792,709

marks received. Management expenses figure at the low figure of only 2,949,030 marks.

There can be no doubt, as is attested on all sides, that Raiffeisenism has proved a success.

It may be well now to examine the causes of such results. Perhaps the late German Imperial Chancellor, Herr von Bethmann-Hollweg, was not altogether wrong in the explanation which he gave publicly.

"Your movement," so Herr von Bethmann-Hollweg remarked, "embraces the entire German Empire and deals out enormous sums of money. Yet with all this, its work is 'detail work,' work on a small scale. In providing personal credit on a secure basis for those who need it, you satisfy an economic want. However, at the same time you exercise a most powerful ethical influence upon your members. The careful examination of cases coming before you, which is indispensable in the interest of safety, gives you a profound insight not only into your neighbour's purse, but also into his heart. You become bound together by the link of common work and common love of your neighbour. This is, as I said, 'detail work,' carried down into minutiæ. It may be troublesome, but its reward is great. We live in an age of great dangers. But the dangers reside less in the fists of men than in their dispositions. To work upon dispositions, it is necessary that one should exercise moral power. Only by means of such may we hope to compass the end aimed at. And of such moral power your daily work, of neighbour influencing neighbour, is the source. Your work is not obtrusive or interfering, but it is permeating and transmuting. It draws people together and enables the good to triumph over the evil."

However, let us go into particulars.

Above all things, there is the common, the joint and several liability—call it "unlimited" if you like—without which Raiffeisen would have no bank to adopt his name, and without which, indeed, a sound Raiffeisen Bank is inconceivable. The liability is not really "unlimited," as I shall show. It is to the interest of the society itself that it should be *strictly* circumscribed—even beyond what

can be done by the very obvious and desirable expedient of limiting the lending powers of the governing body, in the case of collective lending as of individual loans—and that no risk of any kind should be incurred. But so far as the principle "one-for-all and all-for-one" is adopted, its adoption must be *absolute*, and absolute with *full equality* among members, assigning equal rights and equal liabilities to all. That is the very pillar of the system, the pivot upon which the whole organization must necessarily turn. This consideration has become of even more compelling importance than it previously possessed by the barriers which under the twofold dictation of prudence and the law have been placed in the way of the retirement of members. Previously a member was allowed the right to retire whenever he might please and thereby at once to become quit of all liability except that contracted prior to his withdrawal, in respect of which the German law prescribes a limit of two years. It has now been judged advisable to limit retirement to the conclusion of a financial year, and to make it conditional upon notice previously given. The object in this and in all similar limitations is to provide as absolute security for the protection of creditors as is possible. The avowed object for which you co-operate is, by means of collective effort, by, so to speak, the creation of a "faggot-liability," to obtain for yourselves the credit which in an isolated condition you do not, or every one of you does not, command. That means that *within* the association you must provide an efficient substitute for that pledge credit which Léon Say condemns, and which your members have it not in their power to purchase; and *outside* the association create security ample for your borrowing, and such as will make inquiry by the outside lender in every specific case superfluous. The ostensible financial value which you collectively pledge to the outer world may be that of one man only in the whole association. That is his contribution to the common stock, perfectly legitimate, if it is safeguarded. But please observe that in this application "credit" and "liability" do not at all mean the same thing as "money." We do not ask any man to give

a single penny, be it to a fellow-member, be it to the association collectively. Quite the reverse. We particularly beg him *not* to give. We tell him that, not in his own interest only, but even more in the interest of the association, it is essential that he should carefully *abstain* from *giving*. He is to *support*—to help others to help themselves. The employer, who has his employee financially well in his power, may unhesitatingly assure his credit by lending him the use of his name. The banker who holds, not perhaps directly negotiable, but ultimately adequate, security from his client, may well grant that client an overdraft, or accredit him with another institution. In the same way in the Raiffeisen associations we try to create—and have indeed succeeded in creating—a security which acts as a very effective substitute for a pledge, and secures those who lend their credit by making it their fellow-members' direct interest, not only to be honest themselves, but also to see that others are honest. That is Raiffeisen's great triumph; the creation of such security, where previously there was none, is his peculiar merit. The lively sense of responsibility required, for one's self and for others, is absolutely not to be assured without the enlistment of liability, not only direct, but going a good deal beyond the value of a share or a good many shares, be they small or be they large. There is nothing to sharpen the wits of people concerned, to make them watchful, critical, observant, inexorable, like effectual liability. You have the principle in germ—but in germ only—in Scotch Cash Credit.

The Report of the Lords and Commons Committee of 1826 on Scotch Banking already quoted indicates two important elements of security as explaining its success: —establishment by inquiry of the borrower's trustworthiness, and control of his action of employment. There were at the time then spoken of about 11,000 cash credits outstanding collectively for about six millions of money. In addition to the 11,000 borrowers, there were, as the evidence points out, between 30,000 and 40,000 persons liable for the loans, acting as checks and controllers; 30,000 or 40,000 pairs of eyes, directly interested in the case, watching the

borrowers on behalf of the bank; 30,000 or 40,000 tongues to remind them of their duty, and warn them should they threaten to go wrong. That explains the whole satisfactory working of the system. Here are the two main pillars of co-operative credit recognized—*joint liability* and *individual checking*. The sureties become an intermediate body between capital and want, helping the latter, but also effectually safeguarding the former.

Now this is co-operative banking applied in a very halting and middle-class sort of way, among people who possess property and also some commercial education. Our object is to dive deeper—so we must proceed upon very much broader and more popular lines. We must multiply our sureties and quicken the vigilance and control by responsibility carried still further.

The fundamental idea of co-operative credit banking is, as has already been explained, that a number of men—poor alone, or else poor and wealthy—join together to pledge their credit in common, in order thereby to obtain the temporary command of money which individually they cannot secure, with a view to disposing of that money among themselves, likewise for temporary employment, and for profitable purposes. The practicableness of the scheme hinges upon the feasibility of ensuring repayment from members, and thereby creating a good foundation for credit by securing —*absolutely* securing—those who pledge what they possess, practically "up to the hilt," for the benefit of others. That is done by selecting your members, by watching the borrower, by watching the loan, and reserving to yourself effective power for calling it in, and by subordinating everything that is done to the one consideration of safety. Now see how unlimited liability directly serves to supply all this.

Without unlimited liability, to begin with, you can never make sure that your bank will be sufficiently careful in the selection of its members. Such selection, limiting your membership to persons absolutely trustworthy, is the primary condition of success. With only his 5*s*. or £1 share at stake no person in town or village would care to say "No" to an applicant for admission unless he knew him

to be a downright disreputable neighbour. Why should he disoblige him? However, we know from experience that co-operative banks have had to be broken up because some black sheep had in this way found an entrance into the fold. Make people understand that in electing the new member they practically make themselves liable for any default of which he may be the cause, and all considerations of etiquette and mere neighbourly courtesy are sure to vanish. The breeches-pocket knows of no etiquette. Hence, in a great measure—though not solely—that marvellous morally educating power which it is generally admitted that Raiffeisen banks exercise upon their members. This it is which has helped to make the Village Banks such admirable moral reformers, instilling principles which previously were not altogether common. People soon learn the value of a cheap lending institution, when they see their neighbours regularly employing it. Once they are made to understand that membership is altogether dependent upon their good character and good conduct, and its continuance upon their perseverance in such virtues, it is astonishing how fast the drunkard forsakes his sottish ways, the spendthrift his extravagance, how fast the idle becomes industrious, the quarrelsome man peaceful, and the reckless careful.

Next, without unlimited liability, you would not, at any rate to the same extent, secure the admirable management which is admitted to distinguish these little village institutions. M. Alphonse Courtois recognizes this as one of the chief causes of their success: "*Elles sont d'ailleurs remarquablement administrées; cette division très nette des attributions entre pour beaucoup, présumons nous, dans le succès de ces unions.*"

It is not only that the unlimited liability of members prompts those members to be careful to select none but the most competent officers. We know that that is necessary. But there is more. "*Il ne suffit pas d'avoir une bonne machine,*" so remarks Léon Say, addressing himself to this very point; "*il faut aussi avoir un bon mécanicien.*" At the outset, at any rate, the success of the banks has, as Emile de Laveleye, one of their warmest admirers, has

pointed out, invariably been the work of some individual zealous workers who have taken up the cause for the sake of the good to be effected—*des hommes dévoués*. The attractive idea—the *idea morale*, as M. Luzzatti calls it—may suffice to secure such. But it is the unlimited liability of officers which leads them to be extremely discriminating in their disposal of bank moneys and very strict in their demand for prompt repayment, which is one of the most essential conditions of success, alike economic and educational. Not only their own money is at stake and may be lost; any risk incurred would jeopardize other people's money as well, the money of those whom they particularly desire to benefit. If this consideration touches more particularly wealthy people who may be in the bank, and whose wealth makes them practically answerable in a higher degree for its liabilities than others, it will have to go without saying that such wealthy people must be represented on the governing body. And since it is they who supply at the outset the apparent backbone of solvency, and their presence in the bank is on that account sure to be desired, they have the power practically of insisting upon anything which they may consider necessary in the interest of safety. And for this reason it is very desirable that they should assist the society not only with their credit pledged, but with their active services as well.

Without unlimited liability, furthermore, there could not possibly be all that watchfulness and control which really make up the Raiffeisen system and which keep it safe, that "admirable" principle, as the late Duke of Argyll (of Gladstone days) has called it, "of strict payments and watching the application of the loan." Stimulated by the sense of liability brought home, you are careful to keep your members generally under control. More especially do you control your borrowers, and take care, in addition, to ascertain that they *remain* honest, thrifty, careful, and deserving of credit. You watch specifically the employment of each loan, its application to its proper purpose, failing which you call it in unmercifully—otherwise there can be no success. You insist upon prompt repayment

You build up your whole fabric upon a system of mutual checking, the borrowers being checked by the Committee the Committee by the Council, the Council by the mass of members, all without offence or invidiousness, all in the interest and for the protection of the very people checked. "*Ecartez la solidarité,*" so says Father de Besse, "*et personne ne voudra même dans une association, ni corriger son prochain, ni se laisser corriger.*" "*Semo in cento che se femo la spia un con l'altro onde x imposibile che nessun fazza un bruta parte.*" So a member of the first Raiffeisen bank formed in Italy, that of Loreggia—of which I speak at greater length elsewhere—explained the case in his uncouth Venetian patois. It means: "We are a hundred persons who watch one another like spies; it is not possible that any one of us should fail in his duty." And all this, as observed, without offensiveness. Quite the reverse. All that zealous, lively, warm, and loving interest in their local association, which every observer remarks upon as a distinctive, striking feature among members of Raiffeisen Village Banks, is plainly traceable to the principle of unlimited liability, which makes every one feel that he and his fellows have become "members one of another." Under this system an association becomes what Ettore Levi says that every genuine co-operative association should be—*una famiglia onesta e laboriosa*—an honest and industrious family, with a community of aims, of interests, and of sympathies. Every one knows that there is no hostility in this mutual observation. In no system of associations have I witnessed the same manifest feeling of "belonging together,' and at the same time the same lively interest in the affairs of the association as in this. In the Schulze-Delitzsch associations and the Luzzatti banks 100 members will attend a general meeting out of 1,000 or of 15,000. I know of a bank in which 11 men could with difficulty be whipped up out of 11,500. In the Raiffeisen associations you may be sure that the members will be represented to a man, so far as that is at all possible, and that every member will bring his ears and wits with him. Often may you see members about the office when there is an important committee

meeting. It is to their interest that they should know what is going on. And know it they *will*. Publicity in respect of everything except savings, and democratic government, the full equality of all who are in the association, are absolutely essential for success. However, that close touch, that insistence upon full equality, where equality sometimes at first sight appears difficult, that strong feeling of social and moral, as well as financial, solidarity—all these things are impossible without common liability. When the poor man knows that he may have to pay for his submissiveness, his shyness and his awe of social superiors soon wear off.

It is only fair to add that under the protection of the safeguards adopted the "solidarity" required—the joint and several liability of all-for-all, meaning, of course, that, so far as is possible, every member shall be made liable in the same degree, although one and all answer to the outside creditor—has in practice proved altogether innocent of the serious consequences which it is not unnatural for people unacquainted with the matter to apprehend from it. I have never heard of a case in which *liability* has had to be drawn upon. There have been defaults, as a matter of course; but in every case the debtor's estate, or his sureties have—with an occasional draft upon the reserve fund—proved equal to the liability—as must be the case under careful management.

Another very important element of success, assuring safety and at the same time materially helping to remove the danger of unlimited liability, is the smallness of the district assigned to every bank. The followers of some other leaders will not understand this, because in their own systems—which are essentially different in their entire construction—success means a large "business." In the Raiffeisen system, where there are no salaries, no expenses to speak of, and where "business" consists merely of simple borrowing and lending—the "detail work" that Herr von Bethmann-Hollweg speaks of—whether the sum be 1*s.* or £1,000, the object to be aimed at is not "business," but absolute safety. Profits scarcely come into account. In any but a small district there could not possibly be that knowledge, and

vigilance, and checking of one another, upon which stress has already repeatedly been laid as constituting a *sine quâ non* of success. "It is the smallness of the districts," writes, officially, Herr Gau, of the Agricultural Department of Saxe-Weimar, "which makes the Raiffeisen associations so generally trusted." Creditors know that in such districts strict control and supervision are likely to be efficient. The Raiffeisen system is, in truth, essentially one designed for small, self-contained rural districts. Raiffeisen dubbed his associations specifically "rural." He never contemplated the application of his system to towns. I know of one or two Raiffeisen banks only which flourish in larger districts than those which Raiffeisen himself contemplated. One of these is in Saxony. It is really abnormally large. And its success is entirely due to the peculiar organizing capacity and efficiency in supervision of its chairman. The other is in Prussian Lusatia. The district of this bank—which I happen to know very well—was formed after about two years of careful preparation. It is decidedly successful. But the district is quite peculiarly constituted. There are, so to speak, five little hamlets, each of which contributes a committee-man. But under ordinary circumstances a parish is the ideal area, because within such district watching can certainly be made easy and effective inasmuch as every one is within reach of the bank, and moreover every one knows every one else. The creation of such bank, it ought to be remembered, is not purely a question of numbers. Some years back I found that in the new agricultural settlements of the eastern provinces of Prussia—where truly admirable work is being done in cutting up large estates into small holdings, by which means entire new villages are being raised up—although the use of more money was unquestionably appreciated and numbers were adequate, Raiffeisen banks could then be formed only very sparingly and slowly, because the settlers, gathered together from all parts of the Empire, did not yet sufficiently know one another. In the great majority of cases it is just the smallness of the district which ensures success, not merely by making the vigilance required possible, but

also by giving to every association an entirely local character, and bringing thoroughly home to members their personal interest in it.

This really cannot be understood at a distance. To realize it you must go among the people, and see and talk to them, watch the pride with which they contemplate their successful institution, the zeal with which they make themselves acquainted with all its transactions. They can show you the books and explain everything to you. They are not a bit afraid of what on paper appears espionage among themselves; rather do they accept it willingly as an effective bulwark of safety. They have their savings bank and put money into it, because it is *their own*. They watch at all points to make sure that the association may suffer no hurt. They discuss all that goes on in connection with it. It has linked them together with a new bond of union which firmly establishes peace and kind feeling. The seemingly rapturous language of M. von Dobransky is not a bit too strong for the case. I have never been more interested in my life than when going into one or other of these villages, in which there is a co-operative credit bank, and judging from the evidence presented what that bank has done for its members. Here is one case—that of the village of Mülheim on the Rhine, not very far from Coblentz. The peasant of the Lower Rhine is as a rule—whatever the "peasant girls with deep blue eyes" may have been in Byron's days—not a particularly genial or attractive specimen of humanity. But it is surprising what a metamorphosis the advent of this humanizing instrument has brought about. The best among the population of Mülheim, some two hundred and fifty persons, had then joined the bank. Though the soil around is rich and well watered, the place is said to have been some time ago rather neglected, and not a little pestered with "Jews." The latter have quite disappeared.

That is another advantage of small districts. "*L'usure ne peut être combattue que de près*," rightly urges Léon Say. In Germany it has baffled even Bismarckian methods of eradication, which did not usually err on the side of ginger-

liness. What the Prince's "blood and iron" could not effect, co-operative gold and the silken bond of union have brought about with ease. Whole battalions of these greedy gentry have been put to the rout, and driven discomfited from the field.

To come back to my instance of the Village Bank at Mülheim—the old wattle and post-and-pane houses, with their rickety timbering and ramshackle roofs, have disappeared, and given place to neat, substantial stone buildings. There is an unmistakable look of plenty, of order, of neighbourliness observable everywhere. Of course, according to the teaching of our own agricultural authorities, these people are farming on an entirely wrong principle. But there are no signs of agricultural depression about their properties. The gardens are tidily kept, the fields and orchards look throughout *bien soignés*, and everything appears prosperous and flourishing, so that, after all, perhaps facts are more correct than theories. Land, at the time of my visit, fetched about £1 the German rod, which sums up to £288 an acre. On such soil of course good husbandry tells; and co-operation has perceptibly stimulated it. You see drainage, new implements—even a steam threshing machine has been provided by co-operation many years ago, one of those expensive implements—a Clayton-Shuttleworth—which our English wiseacres periodically assure us that the small peasant could never manage to purchase out of his small purse. Here is one purchased by him—and purchased without money, to begin with, and without cost in the end. He has let it out, to members at 8*s.* 6*d.* per hour, to non-members at 9*s.* 6*d.*, and that has paid for the machine. He does a good deal in the way of co-operative supply, both agricultural and otherwise. By the side of his co-operative credit association he has set up a co-operative supply association, which did then from £1,800 to £2,000 worth of business in the twelvemonth, for all of which it borrowed the requisite money from the bank. Himself and his neighbours paid in about £2,000 in savings every year. Moreover the association does a considerable business in *Verkaufsprotocolle* (assignments for

unpaid purchase money). All the dangers arising from that once very perilous process have been overcome with the assistance of the Village Bank. It buys them at a moderate discount, and all goes on peaceably and merrily as if there never had been any "Jews." This little bank had then annually about £2,200 worth of these bonds coming into its possession, and held generally something over £6,000 worth in its hands. All in all, it had an annual turnover of about £35,000, leaving a net profit of about £250, every farthing of which went to reserve. By this means, though the bank served all its customers very cheaply, since 1880, when the association was formed, a reserve had at the time accumulated of about £1,500, enabling the bank to allow to its customers six months' credit on co-operative purchases without adding a penny to the wholesale price. The bank employed a cashier, who acted also as secretary, at a salary of £37 10*s*. a year. He had all the bookkeeping at his fingers' ends, and knew all, financially, about every one with whom he had to do.

The gratuitousness of services is another distinct factor in the success attained, and an additional safeguard to the common liability pledged. The idea of the association is that members should give that which they have got in order thereby to purchase that which they have not got. They have *not* got money, which under ordinary circumstances purchases credit; so they give vigilance, labour, effort, time. In giving it, it is only reasonable and consistent that they should labour without demanding remuneration. But there is further justification. What is, under circumstances like those here contemplated, freely given, among neighbours, is most likely to be honestly given. Schulze objects that "the labourer is worthy of his hire." True. But then his hire may be worth something to him. He is dependent for it upon the votes of his fellow-members. Those fellow-members may be applicants for loans. Their applications may be improper. Is every officer likely to stand firm when the member who can give him his salary or take it away puts to him the brutal Bismarckian "do ut des"? "Officers of co-operative credit banks," says

M. Luzzatti, "should have a conscience free from all personal pre-occupations and from pressure of any sort." They should know "neither father nor mother," and consider business coming before them purely on its own merits. The only way to ensure this is to keep the "cash-nexus" entirely out of sight.

There is another important feature making for success, closely allied to the last, and that is the disallowance of all profits, all individual pickings out of the bank, which is not intended as a profit-bearing institution; and, necessarily allied to that, there is the creation of an inalienable reserve fund belonging absolutely to the bank and not divisible under any circumstances. To purely economic and commercial co-operators that fund is a monstrosity. An "anomaly" it may well be called, but an anomaly which, as Felice Mangili, late Secretary of the *Banca Popolare* of Milan, has pointed out, is justified by its circumstances and results. There is no magnet, nothing to bind members to their association, like money laid up, in which every one entitled is naturally anxious to retain his interest. There is no danger of breaking up an association or diverting it from its object when there is a good "Stiftungsfonds." And everything that tends to keep members together, to make it their interest to strive to continue worthy of membership, that stimulates their interest, everything also which tends to attract others to the association, and accordingly incites them to make themselves morally eligible, amounts to a direct gain. Beyond this, the immediate benefit arising from the inalienable reserve fund in fortifying security, in providing funds for useful enterprises, in cheapening credit, and making it more convenient for members, is considerable.

Lastly, there is the simplicity of the business. Raiffeisen's original rules positively interdicted "banking," or business, or risk, or speculation of any kind. Their "business" was simply to be to lend and to borrow. If a loan *should* go wrong under such circumstances you would know exactly what in the worst case you could be made liable for. That £1 or £10 would *absolutely* limit your loss. There could be

nothing ulterior. Only since a very recent date do the more advanced societies of this sort grant cash credits and lay themselves out generally to become, in a very modest way, village "banks" for general purposes. That is an advance which was not contemplated by Raiffeisen. Assuming that proper caution is exercised, it is not to be condemned. But it presupposes a certain amount of business training among members. And joined to this simplicity of business is the simplicity of business arrangements, bookkeeping, organization, and so on. Everything is simple, everything is readily intelligible. M. Durand says, after careful investigation:—"*Avec les garanties présentées par l'organisation des Darlehnskassen la solidarité n'a aucun danger et ne saurait effrayer les grands propriétaires.*"

By such means, simple in themselves, but telling, Raiffeisen has made it his task to raise up his system of educating and lending societies. It cannot be doubted that he has succeeded. His work has been subjected to many a test. Unfortunately, like every good work, it has had opposition and prejudice to contend against, which have, however, led only to its more brilliant vindication. In 1874 the late Emperor William appointed a Royal Commission to inquire into its work, presided over by the late Professor Nasse, and having Dr. Siemens and Professor Held for members. The Report, published in 1875, proved so wholly favourable that the banks have from that time forward counted the Imperial Family among their warmest patrons, including the Empress Frederick, who has more than once given proof of her interest. Among the evidence collected by the Commission mentioned occur the statement already referred to of the Rhenish parson, who confessed that the Raiffeisen bank in his parish had done more to raise the moral tone among his parishioners than all his ministrations, and the deposition of the presiding judge of the Court at Neuwied, which shows how materially litigation had diminished in his district, owing to the conveniences afforded and the good principles instilled by the local Raiffeisen Loan Bank. Doubtless our County Court judges would find them productive of the same good. Those good effects

have since been sustained. In 1886 the Diet of Lower Austria sent two experts to inquire into the system, who expressed themselves so entirely satisfied of its merits, that that Diet, and other Diets of the Austrian Empire following in its footsteps, at once resolved to encourage the formation of Raiffeisen associations in their several territories, and backed that resolution with grants of money. In Saxony, in Baden, in Hesse, in most provinces of Prussia and far beyond the limits of Germany, Governments are giving proof of their desire to have these banks multiplied.

And by economists and philanthropists who have seen them the societies are warmly eulogized and recommended as justifying the verselet (in German it is one) with which a writer on the subject recently headed his pamphlet: "The setting up of Raiffeisen associations means the pulling down of workhouses." Eugène Rostand commends as their distinguishing traits: "extreme simplicity and cheapness, non-allowance of any dividend, limitation of the district to a parish or a hamlet, the strict prohibition to touch the reserve, the support of the clergy, the common liability replacing the helplessness of agricultural units, the prevailing spirit of devotion and sense of social duty." Sir F. A. Nicholson, in the preface to his admirable official Report, sums up the teaching of the prolonged and painstaking inquiry into various systems of co-operative credit for agriculture which he had carried on under orders of the Madras Government in these words: "Find Raiffeisen!" "I have examined many systems," so wrote the late M. Durand, who had himself become a zealous and most successful apostle of co-operative credit in France; "I have not found one which reconciles so fully the requirements exacted by Credit: security of operations and the social and moral requirements of rural populations. I do not hesitate emphatically to pronounce the *Darlehnskassen* of Raiffeisen the finest creation, alike from a moral and an economic point of view, which has ever been invented for agricultural credit." To the mind of Eugène Rostand they conclusively settle the question whether the small agriculturist requires credit at all. It has been denied. It has been affirmed that

if he had it he would abuse it. Here, says M. Rostand, is the answer.

It is undoubtedly a great work which Raiffeisen has accomplished—greater than some other co-operative triumphs gained, because it begins upon less, compasses more from a moral point of view, and rests upon a more popular foundation. To the system of Herr Raiffeisen as to that of the *banche popolari* may justly be applied Engène Rostand's felicitously-worded phrase: "*C'est l'heureuse union de l'esprit d'affaires avec les sentimens d'une véritable, d'une pratique philanthropie.*"

CHAPTER VIII

The Spread of the Movement

The two types of Co-operative Credit thus far spoken of constitute the standard types, upon the principle of one or other of which the whole array of imitation systems thus far devised have been reared up; and upon the principle of either one or the other of which, so far as can at present be seen, any system of Co-operative Credit which is to have promise of satisfactory working in it will have to be constructed. It is proverbially impossible to prove a negative. However it is difficult to conjecture what other foundation there could be, supposing that the system is to be *co-operative*, that is, the co-operating members' own. Money may be distributed as largess, or advanced capitalistically on the security of tangible property. But in either such case the assistance rendered ceases to be co-operative. Even supposing that it provides adequate security for loans granted, it still cannot have it in it to produce the best results that Co-operative Credit was designed to bring forth—that is, the educating and emancipating results. A co-operative system cannot escape Léon Say's generally accepted alternative of being based either upon the presence of a "small capital of guarantee," or else upon "unlimited liability." If the first, then that "small capital of guarantee" will somehow have to be created—which, in the case of people of slender means can only be accomplished by thrift, as a work of time, by a systematic saving up of funds, to be safeguarded in the course of their accumulation and by careful control and restrictions. If the latter, the liability engaged will certainly have to be protected, in the interest of those who give it and, on the other hand, to be made

absolute in the interest of those who are asked to accept it as a security.

The two principles so set forth have severally been thought out, experimented upon, put to the proof, perfected and rendered effective in the two systems described, with an unsparing expenditure of thought, observation and an amplitude of experience such as are to be met with in no other. Accordingly, although it cannot be said that either of those two systems, both being typically German in the form of their application, and therefore marked by distinct local peculiarities, want to be imitated wherever it is desired to set up Co-operative Credit, they nevertheless deserve to be carefully studied in all their particulars by all who engage in the organization of Co-operative Credit. They are, in fact, to the student of Co-operative Credit what Greek and Latin are to the student of languages, that is, the root and foundation of all that has been subsequently developed—so to call them, the "grammar and syntax" of Co-operative Credit. Usages in other countries are different, minds in other countries run upon different lines, and what is the German's meat may be the other man's poison. But such differences, much as they affect the application, do not affect the principle. Nor do they affect the practical problems to be dealt with, which are more or less alike all the world over. In these two German systems it will be found upon research that every point that can arise has been examined and subjected to carefully studied handling, as in no other—even pedantically, it may be, in some instances, with a partiality for methods practicable only in Germany, but in any case placed under a mental microscope, mentally analysed, having the effect observed traced to its root cause and discriminatingly dealt with.

The effect having been established, the boundless utility of the system having been proved—along with its ready practicability even among economically untrained populations—it is not surprising that the new gospel should have been taken up eagerly and with more or less enthusiasm in other quarters—in fact by this time practically all the

world over, barring only our own sea and prejudice girt island, which has shown that on it it needs drastic lessons like those of the late war, to bring home to its population truths which have dawned long before upon the less prejudiced "foreign" mind. It is only the war which has led us to think of remodelling our agricultural system, to quicken it with organization and support it with ancillary services of chemistry, mechanics and science; to import into our one-sided banking system—rightly cherished except for its narrowness—the "foreign" features of "industrial" banking and "export" banking and, as Sir E. Holden has put it, the fighting of overpoweringly strong foreign banking combinations with correspondingly potent banking amalgamations on our side; to improve our educational apparatus more particularly on the rural side—where it has long been, in Sir James Meston's apt words (though applied by him only to India), our "Cinderella." The light of Co-operative Credit unfortunately has not yet dawned upon us—although, more particularly in view of our accepted Small Holding Policy we very badly need it, since there can be no successful small holdings husbandry without comparatively ample working funds. We would have the prize, but are loth to pay the price. We expect to be fed, not with bread, but with "manna."

Elsewhere, with many modifications in its outward garb, Co-operative Credit has spread out far and wide, finding new footholds in virtue of its established merits, among practically all races more or less civilized—Teutons and Slavs, Russians, Italians, French, Belgians, the Spaniards of Mexico and the Philippines, in far eastern Japan, with very marked effect and excellent results among both Moslems and Hindoos in India; and even Hawaii is trying to put the newly discovered economic weapon to profitable use among its motley, but throughout laborious and thrifty, population, which can well do with it.

In all this transplanting the parent plant, which has supplied the seedlings and sets, has been made to undergo various more or less drastic, useful or else detrimental transformations. What the German likes, other nations

reject. His usages are not theirs. Unlimited liability, for instance, which is to the true-born German the glory of the system—so Dr. Crüger has expressly written—has an uncanny sound to British ears and other ears besides. German account keeping appears to us cumbersome and over detailed. German handling of business presents itself to us as tied up with red tape, confining that free and unhindered action which we love, like a German baby in its swaddling clothes. There is meddling and muddling, counting the nails in a horse's shoe when the nag ought to be cantering merrily forward towards its destination. There are more such points. All these, however, are not of the essence of the matter. They may be got over and corrected, simplified and "desiccated"—as we have desiccated much valuable but overdry German learning. Nobody would insist upon the German husk, if we could only appropriate to ourselves the co-operative kernel.

The great stumblingblock, outside Germany and Austria, of unlimited liability and unwieldy shares has, outside the whilom "Holy Roman Empire," proved easily removable —where it is not wanted. It comes natural to the German. It will not fit into the habits of other races. *Alia vita, alia diaeta; autres pays autres moeurs.*

A good deal of the transformation carried out must indeed be admitted not to have been urgently needed. That criticism applies above all countries to the native home of the institution spoken of, fissiparous Germany itself, whose early tribes, our forbears, blessed us with the Heptarchy, and whose population a generation ago split up their Providence-given empire into a hundred little states, waging fiscal and other wars merrily upon one another, while other, wiser, nations were consolidating their power and acquiring those colonies which at present Germany covets. They have been splitting up Co-operation in precisely the same way, purely from self-seeking or quarrelsomeness. During the past few decades indeed the all-powerful Government of Berlin has, for political purposes, with its all-ruling might, welded together at any rate a considerable number of specifically agricultural co-operative Unions into one—a

herd favoured accordingly with official blessings and requiting such with valuable political services. But that was not always so. Two decades ago Dr. Haas' deputy leader complained to me that "of course" "big" Bavaria would not allow itself to be led by "little" Hesse—nor yet Wurttemberg or Baden, and so on. Nearly all agricultural Unions have now obediently closed up their ranks into one army which Berlin commands. Outside the agricultural milieu, however, there has been no uniting force similarly at work and accordingly there has been no union, but rather further fissiparation. German disunion has indeed produced a rather bewildering medley of organizations, one or other of which I see occasionally confidingly referred to in supposed justification of some not altogether orthodox departure from accepted rule, which, however, fancy disposes this or that ingenuous novice to take up. "There is a German precedent for it." However that is very insecure ground upon which to take one's stand. For, as it happens, there is probably not a bad practice in the world in this connection for which some precedent is not to be found "in Germany." And it ought not to be "Germany" which is accepted as an authority in the matter, but a recognizedly good system in Germany. Among other things I would emphatically warn intending organizers of Co-operative Credit to beware of looking upon single parts of even the orthodox systems of Co-operative Credit as interchangeable pieces of machinery, which may at pleasure be fitted upon other systems. What was adopted in the Schulze-Delitzsch system was there adopted to serve a distinct Schulze-Delitzsch purpose, which does not come under Raiffeisen purview. And vice versâ. A particular screw will fit into its own screw-hole, but not into another.

Outside Germany and Austria there has generally been some good, solid, reasonable cause to determine co-operators to deviate from German precedent. So far as Germany itself is concerned the motley multitude of systems has to a great extent grown up from a desire of this man or that to be a "Cæsar" in his own little village rather than a follower in a more important community. But there have

also been other influences at work to submission to which, it cannot be gainsaid, Co-operative Credit readily lends itself.

Co-operative Credit, as we have seen, invariably begins in weakness, and accordingly is under circumstances not unwilling to accept help. Also, the great utility of the institution having become demonstrated, it is not surprising that it should have come to be considered a service to the community to speed its coming and its extension by planing paths for it and helping it along with the provision of cash. Public-spirited people became impatient to see the thing advance, to have this Fortunatus' purse made accessible to all the country. Such desire appears so plausible that in over-indulgence in it people are led to forget the fact that Co-operative Credit owes all its main merit and all its enduring utility to its quality of being a self-help movement, a movement that raises money not out of gifts, but out of work, that as soon as you take the self-help away, or dilute it, you substitute a bogus article for the genuine one and give your intended beneficiaries something that only looks like bread instead of being a real loaf.

However the apparent good object often enough carries the day—more particularly since behind the good things to be acquired for others there is in not a few cases a very good thing also by such make-believe public spirit and generosity to be got for oneself. The altruism professed is in truth very egotistical "altruism," the giving—often enough out of other people's pockets—of an "egg" as the French say, for a bullock (*donner un oeuf pour avoir un boeuf*). In this way various powers have claimed an interest in Co-operative Credit. The State, the Church, squire-led Agriculture, Socialism and other forces have professed a love for Co-operative Credit and petted and fondled it and lured it with sugar in order to be able to put their bit into its mouth and ride on it to victory for themselves. The Church was the first to detect its opportunity. The Raiffeisen system has the pulpit and the altar for its natural and declared allies. In Roman Catholic countries the priesthood is a power among the rural population. And, begin-

ning in Germany, which has a large Roman Catholic population, its most keen-sighted members, with the help of great landlords of the faith, early in the day adopted Raiffeisen's teaching in the formation of their "Peasants' Unions," which at once accepted Raiffeisen's system of Co-operation, and more specifically Co-operative Credit, with so pronounced fidelity to the original that organizers and other officers of one Union can readily exchange offices with colleagues in the other, and drop into their places there to find the work assigned to them precisely the same as what they did before. The protestant clergy have not nearly the same hold upon their parishioners; and they have been much less active. But to some extent they have in their turn followed suit. And in Germany, it may in passing be said, the "Peasants' Unions," formed on either side of the Reformation boundary, are doing a great deal for the peasant population, whatever may be the merits or demerits of a denominational character carried into co-operative organization. The clergy of Rome would not have been what it is if it had not in other countries eagerly followed the lead of its German co-religionists—thus in Belgium, the Netherlands, in Italy, in France, quite lately also in Switzerland. Spain also has its own priestly organization of "Co-operative" Credit with the "Bank Leo XIII" at its head.

The Socialists—who are otherwise since some time extremely busy in co-operative propaganda and have succeeded in effectually capturing a goodly portion of industrial Co-operation in Great Britain, in Germany, in Austria and in Italy, also in Spain (so far as Spanish Co-operation goes)—have thus far made very little inroad indeed, if any at all, into Co-operative Credit. So far as the obtainment of money goes, their policy is rather to claim it from others than to labour for it themselves. Barring only Italy, they have failed to fasten any hold of theirs upon the rural community. And even in Italy, where they have tackled the land question in good earnest, and with good results already achieved, and more in prospect, and where they practise very good Co-operation, they have let Co-operative Credit

severely alone, trusting rather to others to furnish the funds that they want.

All the more active have territorial magnates shown themselves in cultivating this newly discovered field of profit and influence. The old world maxim of—

Rustica gens
Optima flens,
Pessima ridens

has been utterly exploded by the advent of "the Vote." Now that the Vote has become a factor to reckon with, one would much rather see a smile on rustic folk's face than the evidence of tears. And since that smile is to be bought, to buy it has become the aim of people having a use for it. The support given is not all the fruit of generosity, even with this reservation. For much of it comes out of other people's pockets. If there is credit created for the small husbandman, there is money by credit created also for the large landowner. And in countries—say like Hungary—where there are large squires' properties, the value of those properties is greatly increased, to the profit of their owners, by the improvements introduced by the use of Credit into the smaller holdings. Hence we find Agrarianism figuring prominently among the forces which propagate and favour rural Co-operative Credit.

And that Agrarianism finds a most powerful ally in the most insidious pseudo-friend of Co-operative Credit of all, that is, the State—which, as we in this country ought to remember, is on the Continent, more specifically in Germany and Austria, a different institution altogether from what it is among ourselves, inasmuch as it has an existence independent of the people and distinct interests of its own. The Throne there is not necessarily of the same mind as the majority of the population, nor are its interests the same. And the pseudo-friendship shown by such power is the most "pseudo" of all. For the great landowner, after all, in befriending his humbler neighbours and dependants for the sake of securing influence, at the same time distinctly gives *something* of his own and contributes to his poorer neighbour's well-being. The State likewise has an interest

in promoting popular well being. But in giving to one section of the population it necessarily takes something away from other sections, shifting values, and not creating new ones. And in Peter-Pauling in this way it destroys the value of its gift by killing the self-help which ought to have earned it for itself.

Very naturally it is just these pseudo-co-operative institutions which have, in virtue of the high patronage which they enjoy, been most blaringly paraded before the public. There is not a Pharisee who does not make the most of his phylacteries. And the more eager the State and magnates are to grind their own axes, the greater care do they take to make their supposed benefactions known. Thus we hear very much of Hungarian "Co-operation," which is nearly all magnate-ridden—not without its material utility, nor without genuinely generous intentions sharing in the motives for its creation, but necessarily imperfect by reason of the Pandora's gift foisted into them. Thus we hear much also of the "Imperial Union" of Germany and of the French "Crédit Agricole," both of which have political objects distinctly mingling with the economic, and both fed by the State for such political objects. Having very unwisely allowed itself to be placed under official guidance, it was of course to such officially patronized Unions that the much talked-of "American Commission" of 1913 was taken by its cicerones, whereas the really important Federations were given something of a "go-by." The result has been that the voluminous Report elaborated by the Commission has been rejected by American public opinion and the costly inquiry has resulted in little more than a showy jaunt.

With such influences at work as have been described, the adaptations which Co-operative Credit has been made to undergo are obviously not all changes for the better. And seeking among them for light and leading students and organizers elsewhere will needs have to walk warily, lest they should find themselves following a will-o'-the-wisp which leads them into a swamp.

Since the last edition of this book was published, Co-operative Credit organizations have multiplied to such an extent

that it would probably tax readers' patience unduly to adhere to the old arrangement of reviewing existing institutions by countries. The statistics given severally for each country have at the same time that they have become unwieldy also lost much of their value. For a great part, owing to the disturbances of the war, trustworthy recent statistics are moreover not available. And statistics, by the way, are rather a sore point in connection with Co-operative Credit, owing to its divisions and to the ill feeling which has long prevailed among the several sections practising it. I would not subscribe unreservedly to Lord Beaconsfield's famous *mot*: "There are three kinds of lies; there are lies; there are d——d lies; and there are statistics." But to be of any value statistics want to be trustworthy. Recognizing the prevailing chaos I in 1893 at the People's Banks Congress at Toulouse ventured to invite the French Government, as being then a neutral body, to take the collection of those referring to Co-operative Credit in various organizations and in various countries in hand. The representative of the Government rather rashly accepted the invitation. But he was of course disowned by his superiors, as having pledged himself to a work beyond the Government's power. In 1914, shortly before the outbreak of the war, the International Statistical Congress, meeting at Munich, is reported to have appointed a Committee to consider whether the Bureau of that Congress could take the collection of co-operative statistics in hand. The war has in all probability prevented further consideration. But in the public interest it is very much to be hoped that the task may prove practicable, and the Bureau willing to undertake it. In doing so it will be rendering a public service.

All these things considered, it appears to me preferable to review what has been done—with the exception of India, which by its resourceful originality of proceeding and the magnificence of the results obtained, deserves a chapter to itself—severally as adaptations or copyings of the Schulze-Delitzsch system, on the one hand, and the Raiffeisen system on the other, singling out for separate description only the two noteworthy developments under

either head, to be met with in Italy, on the following grounds. They are genuine adaptations, not mere copyings, suited, with resourceful originality, to new surroundings, which surroundings, as it happens, correspond in their main features with those prevailing in most civilized countries outside Germany and Austria. And they were the first adaptations to be made. For what the Poles did in Posen, and Léon d'Andrimont in Belgium, was mere copying—useful and beneficent, but without originality. In the second place, both these adaptations teach us valuable lessons, on their own account, each by itself, which it is of importance that we should master, more particularly in our own country. One is that under M. Luzzatti's remodelling it has become quite plain that where Co-operative Credit is based upon "a small capital of guarantee," limited liability and small shares are absolutely sufficient for the purpose and we need not alarm ourselves about the danger of unlimited liability. And the other is, that Co-operative Credit of the Raiffeisen type is fully as applicable to tenant holding as it is to ownership. That fact has to some extent been obscured, among other men particularly by some who under the sunshine of Government favour set up for chosen masters and teachers, more specifically officers of the German Haas Union. Under their teaching even a very careful official student of the subject, sent by our Government to study the matter on the spot and report upon it, has been misled into assuming that it is the possession of a freehold which makes the Raiffeisen system practicable. He has, to be sure, studied the subject only in Germany. There he has been given the version which he has adopted by leaders in a particular type of Co-operation, such as the distinguished organizer Herr Rabe, who have little to do with tenancy and love to praise up the German institution of peasant freeholds, as against our popular tenant farming. However freehold is not by any means essential to Raiffeisen Credit, nor ever has been. Italian practice distinctly proves this. And so does Belgian in the *Boerenbond*. In Germany certainly there is only very little small tenant husbandry to be met with—as good as none. There are medium and

large tenant farmers—who, by the way, find themselves doing better as tenants than they would as owners. But there is only very little *small* tenant farming. In Italy, on the other hand, tenant farming, more particularly in respect of small holdings, is in some—very important—districts the established rule. And in Belgium about 76 per cent. of the population devoted to Agriculture consist of tenants. Credit which took the freehold—generally speaking the object which co-operators are particularly warned against so accepting—as security would accordingly in those districts—which rank among those upon which it has by preference fastened its hold—be an idle phrase. But it is, on the contrary, a flourishing institution—in spite of "landlord's distress"—which is as oppressive there as it ever has been among ourselves—and all the rest of the supposed obstacles to its application. To ourselves accordingly, the lesson taught by the Italian *Casse rurali*—which does not stand by itself—is distinctly worth heeding.

CHAPTER IX

Offshoots of the Schulze-Delitzsch System

Apart from a whole cluster of minor offshoots in Germany itself, there are three imitations of the Schulze-Delitzsch system which so closely follow their original that they scarcely deserve to be spoken of as "adaptations." They are as faithful copyings as circumstances would permit. For the first we have to go to Austria.

At the time when Schulze's system was first devised, Austria still formed an integral, indeed the ruling, part of "Germany." In consequence of this Schulze's scheme was adopted—first of course by Germans—bodily and as a matter of course, south of the Giant Mountains and Saxon Switzerland. And it has been maintained there in its pristine purity—*totus, teres, atque rotundus.* Severed by the events of 1866, the one Union formed in 1859 necessarily became two. However, the two have remained linked together in one thought and by one principle, like Siamese twins, to the present day. Even where there was not "Union" in the shape of actual alliance—that is, in the case of the Germans in Austria—Slavs, Magyars, Italians and all that motley crew for whose convenience the Austrian official vocabulary, while the Empire lasted, found it necessary to employ no fewer than thirteen different languages—there remains thorough union in principle. It is, however, to the Germans in Austria that I should at present wish to confine my remarks, since the developments among the Slav family of races and the Magyars appear to me to be important enough to claim consideration by themselves.

One brief glance at the collective mass of co-operative credit institutions in Austria and Hungary, or more correctly

whilom Cis-and Trans-Leithania, I will, how- myself, just to show, by the light of statistics *stria co* very much in arrear—the distribution of tive credit forces among the several races.

it may be as well to add that, although, of course, in virtue of most commercial and industrial business, as also most landowning, being in the hands of Germans—for landowning is in Austria to a large extent combined with industrial enterprise, the exploitation of coal-mines and beetroot-sugar refining being by preference worked by the territorial magnates from whose soil the raw material is extracted—German co-operative credit bulks heaviest, nevertheless German co-operators themselves admit that Slavs, who now seem to be coming by their own—animated as they are, by race feeling—show more "go" in the handling of the matter, not minding little sacrifices and pulling more readily together.

The total number of Co-operative Societies registered in Austria in 1914 was 19,091. Of these 11,917 were Credit Societies, 8,406 being of the Raiffeisen and 3,511 of the Schulze-Delitzsch type. Of the entire number of societies registered in 1913, that is 17,813, 5,538, being 34·7 per cent., were in the main composed of Germans; 5,303 (28·2 per cent.) of Czechs; 2,917 (15·2 per cent.) of Poles; 1,525 (8·1 per cent.) of Ruthennians; 952 (5·1 per cent.) of Slovenes; 896 (4·8 per cent.) of Italians; 488 (2·5 per cent.) of Serbo-Croats; and 218 (1·1 per cent.) of Roumanians. The Schulze-Delitzsch Union proper comprised in 1913 431 Credit Societies (276 with limited, 155 with unlimited liability). Only 414 had sent in reports, showing 69,702,756 crowns capital of their own (share capital and reserve) and 623,628,473 crowns as having been disbursed in advances or discounts. The loan capital of these same 414 societies amounted to 470,392,068 crowns. I have no particulars to show the strength and business of Raiffeisen societies.

Returns are also very incomplete with respect to Credit Societies in Hungary. The Central Bank, founded by the late Count Alexander Károlyi, had in 1912 2,412 Credit Societies attached to it, number-

ing 665,338 members, disposing of 63,211,216 crowns share capital (41,436,500 crowns being paid up), 11,355,400 crowns of reserve funds and 119,381,900 crowns deposits. The advances made by the Central Bank to the local societies during the year are returned as about 100,000,000 crowns.

One little difference between German and Austrian Credit Co-operation was brought about by the passing of the Austrian Co-operative law of 1873, which permits the adoption of limited liability by the side of unlimited. A similar advance was in Germany made only in 1889. That permission was not given in vain. Limited liability has under its sanction obtained a pretty firm foothold in Austria, long before it did so in Germany, and has subsequently gone on extending its sway, so that among Germans in the Schulze Delitzsch Union there were in 1914 known to be 276 co-operative credit societies based on limited liability by the side of 151 based on unlimited. It deserves, however, to be mentioned that the financially strongest co-operative credit societies in Austria are still to be found among those working with unlimited liability.[1]

The second instance of mere copying is that of the Polish Credit Societies in the eastern provinces of Prussia, the discussion of which I reserve for the present, with a view to linking it on to a review of the spread of Credit Co-operation among Slav races generally. The encouraging influence of race feeling already referred to as stimulating the action of the Slavs specifically in Austria comes out very strikingly

[1] Among co-operative credit societies collectively, of all races, in Austria, there were in 1914 3,222 with limited, and 9,018 with unlimited liability. The last-named figure, however, includes 8,406 Raiffeisen societies, which of course all of them are under unlimited liability, so that the number of Schulze-Delitzsch societies with unlimited liability becomes reduced to 612. But this small number Is understood to include the best managed and financially strongest. In Germany there were in 1914 among a total of 19,203 credit societies 16,702 with unlimited, 2,456 with limited and 45 with a modification of unlimited liability, which leaves the liability ultimately unlimited but protects the individual members against proceedings at law until the society as a whole has been sued and found unable to meet the claim. The 16,702 unlimited liability societies include the Raiffeisen societies making up the bulk of organizations under this head.

in Polish Co-operation in Prussia, which is essentially all of a piece with the German, after Schulze-Delitzsch.

The third instance of mere imitation is that of the Belgian *Banques Populaires*, which owe their existence to the spirited propaganda labours of the late Léon d'Andrimont, who was an enthusiastic admirer and faithful follower of Schulze, at whose feet he had learned Co-operative Credit. He adopted Schulze's system exactly as he found it. His Belgian Co-operative Credit was a German tree planted in a Belgian pot, and has accordingly found a limit set to its vegetation. He planted the first seed of his little crop of institutions at Liége in 1883. Belgium admittedly at the time stood in rather urgent need of popularized—as d'Andrimont has preferred to call it, "democratized"—Credit. Indeed, in the active, pushing little kingdom, which has not without reason been described as "the Little England of the Continent," where there was plenty of hand, head and motive power available, with climatic and geographical conditions still further to favour industrial, commercial and agricultural development, things appeared to be crying out for such credit. Credit for Agriculture, more in particular, had, just the same as in France, been the statesmen's dream and fond vision for decades past. The plaintive cry of M. Graux, as Minister of Agriculture, has already been quoted.

Léon d'Andrimont, who was himself a large landed proprietor, with plenty of tenants on his property, Chatêau de Limbourg, and a man of alert mind, hoped to remedy this. He had, as observed, learnt Co-operative Credit in the straitest school under Schulze-Delitzsch; and in the straitest methods of that school he introduced it into Belgium, following his master in all things—except that he would not allow members of the Committee to be salaried or paid in fees, and that, once more, probably foiled by practical difficulties in his attempt to introduce supervision by a Council, he agreed to substitute inspection by skilled accountants, or bankers, either one *contrôleur*, as at Liége, or else three *commissaires*. Inspection he would have of the strictest and most searching sort, allowing the officers entrusted with it the freest and widest scope. In respect

of payment of members of the Council, human weakness has proved too strong for his altruistic purism. It has become usual to pay such members by fees.

Adopting the Schulze methods in full, with unlimited liability, large shares and all, d'Andrimont very naturally also copied Schulze's system of organization as it stood in the earlier period, the time when d'Andrimont was his pupil. He would have a General Council sufficiently large to represent all sections of members, and elected by the latter at their annual meeting. As a rule it consists of fifteen, with either five or else seven forming a quorum. This Committee is the real governing body, appointing and removing the salaried officers who are of the number of two—the *gérant* (manager) and the *caissier* (cashier), neither of whom may be a member of the Council. For the practical conduct of current affairs, an executive Committee is elected by the Council from out of its own number, consisting generally of two, viz., the President and another member, to which two the *gérant*—who has a seat, but not a vote, on the Council, and is called upon to act as secretary to that body—is added as a third. Some banks have, as a means of caution, adopted the German practice of requiring the signatures of two out of these three to give any act validity. The shares are, as a rule, fixed rather high—by preference at 200 francs, in addition to which a small entrance fee, say 3 francs, is collected. But the money for such share may be paid in very gradually indeed—in as much as 400 weeks, by payment of 50 centimes per week.

So stood the organization at the outset. However, time has worked at any rate one essential change. Unlimited liability, once its full meaning and significance had been discerned, was found to be decidedly antagonistic to Belgian habits and tastes. It had been accepted in ignorance of what it implied. When in one People's Bank formed under it, it was proposed to *reduce* it to—I think it was fifty times the value of the share—members cried out that they could never burden themselves with so colossal a responsibility. D'Andrimont protested against limitation. However, it was in vain. There is now only one little bank—a good

one, as it happens, but small—that of Saint Nicolas (Waes) which has retained it. However, the remainder have for the most part adopted a fancy limitation, like that in vogue in Germany, amounting to a multiple of the value of the share, say five times that amount.

Liability having been limited, members are allowed to hold more shares than one. There is less provision made for the accumulation of a reserve fund than either in Germany or in Italy. At least 5 per cent. of the annual profits are, however, to be allotted to reserve, until the latter becomes equal to one-tenth of the actual share capital, after which every bank is free to dispose of its surplus as it may think fit. On the other hand, it is generally—and rightly—laid down that the reserve fund shall be indivisible and remain the property of the bank as a whole, no member being allowed a right to claim a share in it. The dividend paid is as a rule not excessive, although cases of 8 and even 15 per cent. have been known to occur —in banks which have subsequently had to wind up. But on the motion of M. Micha, who has all along exercised a marked influence for good on the movement, the *ristourne* has lately been introduced, at any rate in his own bank of Liége, meaning a " dividend to custom " allowed to borrowing members in proportion to the credit which they have received. Unfortunately—in my opinion—the Belgian People's Banks have adopted the practice of making advances on the security of shares, generally speaking up to one-and-a-half times such amount.[1] No doubt that serves as an attraction to the public ; but there is danger in it. In other respects the practice of giving credit does not differ from that usual in Germany and Italy, except that, perhaps, more stress is laid upon repayment by instalments.

D'Andrimont's path was at first not altogether strewn with roses. There were decidedly " lions in the way."

The first was a manifest disinclination on the part of

[1] The same practice exists in Italy and in Switzerland. The supposition is that election into the Society in itself constitutes a guarantee serving as security But this is not sound doctrine.

agriculturists for their part to accept the gift which he brought them, intending that gift more particularly for these people. If the *rustica gens* is no longer *flens*, it is habitually *perversa* and *contumax*. If d'Andrimont has not succeeded in bringing it the desired money help, the Belgian Government has been no more successful in the attempts which it made, almost contemporaneously—in part on the same lines as those adopted in earlier pioneerings in France—in 1884. In that year the Belgian Government placed the practically exhaustless treasures of the National Savings Bank at the service of cultivators through the intervention of *comptoirs agricoles*, stationed in various districts and endowed with ample discretion.

That is the old method of creating credit by the provision of funds instead of security. The law also invested the lending institutions with certain "privileges" for securing themselves, similar to those accorded in Italy under the older and ineffective law referred to elsewhere.

The experiment has, however, led to scarcely any results. The simple cultivator who, as both M. Graux and M. Beernaert have pointed out, habitually shrinks from "the indignity" of borrowing, and can only be coaxed into it by having credit administered by men with familiar faces and heads which understand his case and needs, would never take to the strange gentlemen who formed the *comptoir*.

There have, in all, been fourteen *comptoirs* created (ten of them since the appearance of the second edition of this book, which shows how resolutely the Government cling to the hope of attaining success in the teeth of scarcely encouraging results), of which number three have been subsequently suppressed. So there are eleven now in existence. These in 1908 lent out among them 3,028,145 francs, but had at the close of the year 12,099,650 francs owing to them, which shows that many loans were granted for a considerable length of time. The loans were, however, of such amounts as indicate that they were not generally taken by small men. Such conclusion has long since been generally accepted. The entire lending of the fourteen

comptoirs formed, from 1884 to the close of 1908, amounted to 25,339,674 francs—a little more than a million sterling in twenty-four-and-a-half years! The number of loans granted being 4,838, the mean amount comes very near 5,238 francs, that is, over £200. There were 544 loans granted under 1,000 francs, averaging about 633 francs (£25), 2,771 ranging from 1,000 to 5,000 francs, 959 rising to 10,000 francs, 366 to 20,000 francs, 119 to 30,000 francs, and 79 beyond, ranging up to 50,000 francs.

This form of credit continues to be maintained. It has its uses; but the result is not considered satisfactory. Something far more "popular" and appealing more to the humbler class of cultivators was held to be needed. To provide it, the National Savings Bank was once more put into requisition, and the provision of credit was begun, as usual, at what must be considered the wrong end, that is, not the ascertaining of demand, but the provision of supply.

Léon d'Andrimont was no more successful with his Schulze-Delitzsch bank. Only two little "agricultural" banks of this type have been formed—one in Argenteau, the other in Goë-Limbourg. Between them they number 351 members; they had recently about £2,800 share capital, with about £400 reserve funds, and about £13,000 deposits, with only £2,500 outstanding in loans. And when we come to look at the list of members—I have such only for Goë, which is the more active bank of the two—we find that among thirty-nine members in 1905[1] (there are now about 300)—only six were *cultivateurs*. That is no help for "Agriculture."

However, on industrial ground likewise d'Andrimont found a "lion" to contend with, and that in some respects a more formidable one than he encountered in addressing himself to agriculturists. The realization of a declared want of democratized credit had in Belgium raised up a second "Richmond in the field" years before d'Andrimont, in the shape of the *Unions du Crédit*, which have become a

[1] I take this figure from *Mémoires et Documents réunis par le Secrétaire de la Commission nationale de la Petite Bourgeoisie instituée par arrêté Royal du* 10 *avril* 1902.

familiar feature in industrial banking alike in Belgium, their native country, and in France and Switzerland. In all these countries they still flourish.

The *Unions du Crêdit*, which have, like cash credit in Scotland, played a very important part in the development of the industry and commerce of their country, deserve a brief account of their origin and constitution to themselves. They owe their origin to a Belgian tradesman named François Haeck.

They may be said to have been an outcome of the French revolution of 1848, which, after some very trying years preceding it, directly affected little Belgium very seriously. There were at that time only two banks in Brussels, namely the *Société Gênérale* and the *Banque de Bruxelles*. Credit was badly needed, if trade was not to come to a standstill. The Government accordingly provided, as a temporary measure, for the formation of a *Comptoir d'Escompte*, the capital for which was raised jointly by the two banks named, to maintain the supply of credit. The *Comptoir d'Escompte* is understood to have rendered useful services. But it was by its very nature only a temporary institution. François Haeck resolved to put something permanent in its place, founded upon the principle of reciprocity. He invited people of the classes to be benefited—that is, tradesmen, small manufacturers, farmers, and the like—to join, pledging their liability only. His organization, as originally conceived, was to be one "without share capital or shareholders, dividend or profit." The plan—now greatly modified—was extremely simple, but not such as would be likely to commend itself at the present time to a British public. A member taking up a share (so to call it), say of nominally 200 francs, would, of course, make himself liable for that sum, as well as for anything more that he might borrow by an exercise of his right to credit, but he was required to pay up only one-tenth, that is, in our assumed case, 20 francs. His share of 200 francs, however, would entitle him to a credit of 2,000 francs, for which the *Union* collectively would subscribe his acceptance, making itself collectively liable for the sum—with the right of recovering from the

borrower. As a rule, whatever the value of the share may be, only one share is allowed to every member. But, more particularly in Switzerland, where the *Unions* have gained a permanent footing, there are cases in which members are permitted to acquire more than one.

The wonder to a Briton is that a scheme built up upon so seemingly slender a foundation should not only have failed to bring about signal financial disaster, but should on the whole really have answered remarkably well. Evidently borrowers have proved honest and managers circumspect. In any case the *Union* of Brussels, which was originally formed for twenty-five years only, has lived down to the present day and has, in truth, never given better promise of enduring, by reason of its financial strength and utility, than just before the war. The remaining *Unions*—of Charleroi, Ghent, Liége, Mons and Verviers—are of much less importance. But the *Union* of Brussels has proved so successful that as a consequence, after the Crown had thrice renewed its charter, Parliament in 1901 passed a special law for such *Unions*, under which most of them have become registered, either as co-operative societies or else as joint-stock companies. From Belgium the *Unions du Crédit* have spread into both Switzerland and France, in both of which countries they have a good record.

So signal, indeed, was the success of Haeck's first *Union*, that he based upon that scheme a very much larger and more ambitious proposal for organizing private credit in his country, which proposal he formally put forward in 1857, but which, like most of these overbold plans, came to nothing. Under his scheme credit of all kinds—personal, mortgage, and whatever it might be—was to be organized in a system over-spreading the entire country and carrying the benefits of easy credit into every hamlet. Every village was to have its own independent *Union*, on which, of course, the liability for credit given to its members must ultimately fall with all its weight. But such parish *Unions* were to be brigaded into sections; and the sections, once more, were to be grouped in a Central *Union*, which would act as equalizer and feeder for them all. The shareholders in the

Central *Union* or Central Bank were, in addition to the local *Unions*, to be individual capitalists. The scheme failed to recommend itself in the days of undisputed individualism, more particularly to the latter. But now that we are "all Socialists" the proposal has been revived in a modified form, with the substitution of the State for private capitalists as provider of money for the Central Bank. However, the success obtained has not been great.

Under the new law of 1901 the rules of the Brussels *Union*, which now numbers 5,500 members and which did, before the war, credit business of about £10,000,000 per annum, have been recast. There is now a share capital corresponding exactly to the figure of credit opened (whether used or not) for all members collectively, every member subscribing the precise sum which is allotted to him as cash credit. This means, of course, that the share capital—which must not, according to the rules, at any time amount to less than 1,000,000 francs—is a variable quantity, moving up and down. In 1890 it stood at about 48,000,000 francs, in 1904 at about 74,000,000 francs. The smallest amount to be allowed as credit is 500 francs; but the figure may be carried up to any point that the Committee consider warranted. The largest credit at present recorded is for 350,000 francs. Whatever be the liability that the member makes himself responsible for in taking up his share remains in force on his retirement up to the end of five years after his withdrawal.

From what has been said it will be understood that the ministrations of the *Unions* have been carried much beyond the narrow limit of the "small" trade for which they were originally designed, and made to include very substantial firms—not necessarily for the sake of actual credit. For, the same as in Germany, the bills drawn to a great extent serve for what we should call tradesmen's cheques; the bill is in such connection the recognized instrument of payment. And for the collection of money due upon such drafts—being mostly small amounts, as representing the small tradesmen's orders given to the large manufacturer —the *Union*, acting as a bank, is found exceedingly con-

venient. Much of the "small business" that is done is understood to consist of such collection.

The credit allotted stands at the member's service to be drawn against, without any need of endorsement, as what is called "ordinary" credit. But the member has a right also to bring accepted bills of exchange to the *Union*, to be there discounted on their own merits. This is in the terminology of the *Unions* known as "extraordinary" credit.

Whatever be the amount of the share—corresponding to the credit allowed—the member is required to pay up in cash, as his first instalment, 5 per cent. of the value. That secures to the *Union* a certain amount of working capital, as well as a kind of guarantee to offer to its creditors. For other supply of working capital the *Union* relies upon its reserve funds, upon unclaimed dividends left in its possession, upon the money brought to it (in increasing amounts, betokening growing confidence) for current accounts, and, lastly, upon a small sum which must not exceed the interest becoming due upon it, levied upon every bill brought to it for discount. The last-named item was originally intended less as a supply of funds than as an insurance against bad debts. For such purpose it is said to have proved exceedingly effective. With such means at its command the *Union* has succeeded in rather substantially improving its liquid resources in comparison with liabilities. In 1887 the ratio stood as 36¼ to 100; in 1904 as 54 to 100.

The useful services rendered quickly gained the *Union du Crédit de Bruxelles* the favour of the particular public for which it was intended. That clientèle includes small traders of all descriptions, but, very naturally under its circumstances, no one directly interested in agriculture. It became, in fact, the small traders' particular credit bank. Its business—the same as the business of other *Unions*—very accountably had its fluctuations, determined in part by the vicissitudes in the general trade of the country, in part also by the competition in which it was soon driven to engage with the *Banques populaires*, the first of which made its appearance in 1864. From 1861 to 1880 the business of

the *Unions* increased steadily and rapidly, mounting up to 200,000,000 francs of discounts in the year, of which sum nearly 156,000,000 francs stood to the account of the *Union* of Brussels. Next followed a period of stagnation, which lasted till about 1890. From that date forward a fresh upward movement carried the annual figure to 394,000,000 francs—the figure for the Brussels *Union* alone standing in 1903 for more than 250,000,000 francs. However, as the business grew in bulk, it also changed not a little in character. M. L. Hanssens, chairman of the Board of the *Union du Crêdit de Bruxelles*, quotes the "small" amounts for which business was done in 6,631 distinct transactions that he has classified—among which 5,175, that is 78·04 per cent., stood for transactions under 200 francs, and 3,683, that is, 55·54 per cent., for such not exceeding 100 francs—as a proof that the Union still serves in the main the class of small traders, for whom it was primarily intended. Against this Professor Hector Denis with justice points out that those 6,631 transactions represent less than 10 per cent. of the total transactions, and that the remaining portion are for much larger amounts. There is more to evidence a substantial change of character. In the first years of the Brussels *Union* it was in the main its "ordinary" credit, advances at first hand, which was drawn upon. The "extraordinary" credit—that is, bills brought for discount—proved insignificant. In 1855 and 1860 it amounted to a bare 600 francs or so, calculated per member, as compared with more than 9,000 francs per member of "ordinary." By 1904 "extraordinary" credits had risen to 41,721,700 francs, that is, 7,900 francs per member, as comparing with only 32,825,000 francs, or 6,100 francs per member, of "ordinary." A more striking fact still in the evolution of this business institution is the rapid growth of balances held on clients' behalf in current account, which has gone up from 33,631 francs in the early years to 18,667,972 francs in 1902. And what is more significant still is that of that sum 4,374,561 francs, that is, about 25 per cent. of the whole, was held on account of non-members, with whom the *Union* has done business since 1874.

In other words, from a credit institution on mutual, though not co-operative, lines, the *Union* has developed into a business bank for all, an ordinary discount firm.

There has been just one feature introduced to preserve it its "popular" character. M. Hanssens has stated that since the year 1866 his *Union* allows a certain amount of credit every year to "working men"—presumably jobbing artisans—known to be honest and industrious—although not declining security, yet in the main on the ground of their established character. That corresponds to the Italian *prestito sull' onore*, which was likewise introduced to mark People's Banks with a philanthropic aim. Such advances never exceed 1,000 francs in any one case. In 1875 advances of this description amounted to 267,000 francs on 318 accounts. They are no longer entered in the balance-sheet under a distinct head, and there is nothing to show with what completeness they are repaid. But probably the money has come in fairly enough.

In general it may be taken that the *Unions*, although distinctly useful to trade, do not serve out genuinely "popular" credit. And there is, of course, nothing whatever "co-operative" about their organization. But they are an institution which does honour to the inventiveness of their author.

Although it cannot, of course, for a moment be contended that those successful *Unions du Crédit* meet *all* the wants which Co-operative Credit was organized to answer, they undoubtedly do meet some, and so from the outset created competition, which in places grew serious. So close was the overbidding contest between the two, that Unions have been found converting themselves into *banques populaires* and *banques populaires* transforming themselves into *Unions du Crédit* when opportunity tempted them to do so.

However d'Andrimont and his friends were not to be frightened out of fulfilling their self-imposed task. There was much credit work that wanted doing which the *Unions* had it not in their power to accomplish. As one instance of such d'Andrimont tells the tale of a hawking baker whom he found in Liége, hiring his barrow at the rate

of threepence a day. A People's Bank subsequently enabled him to purchase the barrow out and out, by instalments of the very amount which he had been paying in hire, in less than a year, and to find himself afterwards every year £4 10s. in pocket. Of course there are thousands of similar cases.

In 1883 d'Andrimont started his *Banque Populaire* of Liége. Although overtopped later in its career in respect of membership by its sister institutions of Antwerp and Verviers, that institution still deserves to rank as the premier People's Bank in Belgium.

Liége is a town of small trade—the very place, one would say, for a People's Bank. And as a veritable *People's* Bank both M. d'Andrimont and M. Micha intended theirs. Its transactions are, by choice, individually small. There is nothing mentioned about this in the rules, but of its own free will the bank has, on M. d'Andrimont's insistence, made it a practice not to make advances above 5,000 francs to one applicant. For larger advances, so M. d'Andrimont held, an ordinary business bank is the right place; and he also owned to a belief that such larger credit may be more advantageously obtained from such bank—on which point there may be two opinions. The membership, about 4,000, is composed mainly of small tradesmen. There are bakers, shoemakers, printers, tailors, plumbers; moreover teachers, male and female, clerks, also better-class artisans and small manufacturers. And there are seventy-five small farmers and forty-one market gardeners. Although jobbing artisans are plentiful, the wage-earning class is only sparingly represented. The Bank of Liége still holds fast to liability in excess of what is paid up—five times the amount. Opinion within the bank, I believe, is favourable to contraction to the actual amount of the share, which would get rid of that inconvenient and unsafe source of credit—unpaid-up liability. However, in deference to the late President, the larger, nondescript liability has been thus far retained. The present President, M. Micha, is strongly favourable to a change. It is to M. Micha, who is a consistent co-operator, that the bank owes its very recent adoption of the practice

of profit-sharing for the benefit of the employees. In addition this bank has been the first in Belgium to adopt the practice of *ristourne*, that is, a dividend upon business, which in a co-operative bank with limited liability is plainly called for. Once more, it is M. Micha that the bank is beholden to for this advance. Also the bank is moderate in its payment of dividend, which seems to be generally limited—in practice—to 4 per cent. This means that the benefit of prosperous business goes to the right quarter, that is, to the borrowers, who are thereafter charged less on their loans. It is a fact worth noting that in this bank cash credit is well-developed. The outstanding accounts on cash credit alone amounted at the close of 1908 to 2,071,418·79 francs, in comparison with only 492,919·06 francs on acceptances. The People's Bank of Liége is particularly strict in respect of its checking and auditing of accounts and transactions.

The *Banque Populaire* of Verviers is quite differently situated. Verviers is a town of large workshops, with only little of that small trade which is supposed to account for the success of its sister bank of Liége. Out of its population of somewhere about 50,000, as many as 40,000 are "hands," working in those large cloth mills and yarn factories which employ 160 steam engines or more, and turn out annually above 400,000 pieces of cloth, besides yarn, clothing the entire Belgian army, and exporting at least £3,000,000 worth into the bargain. Walking in the busy streets of Verviers, you might fancy yourself in Bradford or in Leeds. The character of the people is, of course, reflected in the bank, which numbers a considerable proportion of working men, though —the members being grouped in the list of callings according to occupations only, without a hint as to who is master and who is journeyman—it is not easy to say precisely how many. These men, of course, have little need of credit; but they gladly carry their savings to an institution which, having remunerative employment for their money, is in a position to allow higher interest than the Savings Bank. In this way, the People's Bank acts very beneficially in favour of decentralization. Once more, there are some

small farmers (117) in the bank, and fourteen market gardeners, and—as a proof of how little business banks have to apprehend from People's Banks—three ordinary banking firms. Like the People's Bank of Liége, that of Verviers favours cash credits. It had, at the close of 1908 3,328,745·97 francs outstanding in such, as against 1,349,178·89 francs in discounts, and 555,452·78 francs in balances of specific debts.

If all Belgian *Banques populaires* were, or had been, like these two, Co-operative Credit would have an excellent account to give of itself in the country. However, it is not denied that some co-operative banks in Belgium have disappointed expectations. And, no doubt, there have been faults committed, such as are inseparable from a very loose formation without uniformity or Union Control. However, there has been no actual retrogression. Let us look at the facts!

In 1895 there were twenty-three banks; a few years ago there were sixteen. However, those sixteen banks numbered 15,877 members as against 13,749 in 1895. Their collective share capital stood at 3,669,017 francs, as against 2,714,962. Their reserve funds amounted to 1,613,711·40 francs as against 653,204·09. Their deposits (chiefly savings) were returned as 19,334,929 francs, as against only 4,815,786 francs. It is not possible for me to carry the comparison between 1895 and the present time further, because the business of the banks is now recorded in different ways.

The underlying root cause of what disappointments have occurred is that there has been no uniformity, no common standard, above all things no common control, no oneness of any sort among these banks, and in consequence none of that checking on behalf of an authority outside each particular bank, which makes the inspecting bodies inside the bank do their duty.

And there is no Central Bank, no headquarters where bills may be carried for rediscount. Belgians are hoping to remedy this. Unfortunately they set about it in an entirely wrong way. The Government have submitted a Bill to Parliament creating a State bank which is to

pour a gallon of liquid into the bottle which at present will not absorb a pint. That is putting the cart before the horse. The means for obtaining credit at present exist and have given proof of their adequacy. The reason why they have partially failed is that they have not been put to their proper use. The true remedy is to improve their management, insisting upon better security and more effective checking, without which two precautions all the money in the world will be thrown away upon this "middle class" credit. The new State bank, so it is said, is to rediscount People's Banks' bills. Why should a special institution be created to do this? So, very pertinently, asks M. Bouillenne, President of the People's Bank of Verviers; "good bills can always be discounted; people discount ours."

A genuine Federation of banks, with a Council bent upon seeing good work done, and a Central Bank would be a better remedy. Certainly Belgian *Banques Populaires* require more ready and more convenient means of having their bills rediscounted. That is evident from all that has been said in connection with the matter. And some few of the banks have given proof of it by entering into an arrangement with the great *Union du Crédit* of Brussels for that particular purpose. In truth we see in this case what the possession of a Central Bank, and what the lack of it, means in co-operative credit. The difference between a Central Bank of one's own and other banks is this that, having it, banks affiliated to it can in all cases and at all times *rely* upon having their paper taken at a fixed and moderate rate of interest, which they themselves help in fixing. In Austria Schulze-Delitzsch banks have secured themselves by organizing at any rate a Central Agency (*Centralstelle*) of their own, which also acts as Clearing House. The Belgian *Banques Populaires* have done excellent work. But it has been patchy and uneven, because they have not taken to heart M. Luzzatti's excellent prescription: *isolati mai.*

It remains, among close copying of the original Schulze-Delitzsch organizations, to discuss the Union of Co-operative

Banks, organized among the Polish subjects of the Prussian Crown. Consideration of them leads us on, naturally, to an inquiry into the organization of Co-operative Credit among Slav races generally so far as it is moulded on Schulze-Delitzsch lines.

The Slavs appear born co-operators. They take to Co-operation as a duck does to swimming. Everybody has heard of the popular and widespread Russian institution of "Artels"—which are, not quite correctly, often regarded as identical with "co-operative societies." No doubt in Russian parlance every co-operative society would be an "artel," just as in Greek it is a "hetairia." But not every "artel" is also necessarily a co-operative society. "Artels" are occasionally formed as permanent institutions. But more generally they are designed only for temporary purposes. Waiters in an hotel will form themselves into an "artel," in which to share their perquisites in common and defray common expenses in the same way. Fishermen going to the North seas for the annual fishing campaign form an "artel" for the occasion, sharing expenses, of which one of them on common behalf is the disburser. There are also shipping "artels," owning ships in common, some with many, some with few owners, which ships, though small, are sent with native goods to distant ports. In any case, however, "artels" indicate the racial bent towards working and acting in common. However, evidence of such disposition goes very much further. Slav territory, even more than French in olden time, and Italy of comparatively recent but already bygone days, is the scene of these interesting *communautés*, as the French call them—*zadrugas*, *watagas*, *droujinas* of Slav nomenclature, best known to Western literature by the German name of "Slavische Hauscommunionen"—of which, in their French garb, as still found about the time of writing (about 1840) in the Morvan, President Dupin, the celebrated coiner of the famous "*mot*" "*le premier vol de l'aigle*," as describing the newly crowned emperor's seizure of the private property of the Orleans family, has given such a picturesque description. But for a few, very poor specimens surviving in the rugged glens of the "Montagne Noire," the *communautés*

are extinct in France—only *la grande marmite* of one is still preserved in an ancient village in the Nivernais. In Slav land likewise these interesting relics of patriarchal institutions, in which a whole cluster of families lived and cultivated and traded together under the lead of one chief, are gradually dying out. They are found to be altogether unsuited to modern ideas.[1] However Co-operation appears to be the natural element for Slavs to move in. In liberated Russia it needed but a touch of freedom to conjure up thousands of societies out of an erst barren ground.

[1] Croatia, so writes a Dr. Krunoslav Janda, "is the very home and birthplace of those interesting *kuch a zadruga* (domestic associations) which political economists delight to study, in which large families of several generations cluster round one common head, live and trade and cultivate in common in a patriarchal way, similar to whilom French *communautés*. In Croatia, in truth, the *zadruga*, that is the enlarged family, has long been the foundation, the unit, of all national organization. The members of the *zadruga*, like the early Christians, had "all things in common." From among their own number they elected a *gospodar kuce*, "father of the house," who was generally the oldest, and believed to be the most capable of the set, and who directed the common business and was well obeyed. When the family grew to unwieldy proportions, it separated, throwing off new *zadrugas*, as hives throw off swarms. However, the unity of the family was never broken up. The new *zadruga* remained bound in brotherhood, *bratstvo* or *bratimstvo*, to the old, and such *bratstvo* was always respected. The *bratstvos* in their turn collectively formed *plemes* of the same descent *zupas*, so that the old family relations were carried as far back as possible. The *zadruga* system suited the Croatians admirably. They throve under it, and as late as in 1895 no fewer than 67,633 organizations of the kind were to be met with in the country, occupying among them something like 1,500,000 acres of land. Modern ideas, however, favouring individualism, proved antagonistic to *zadrugas*. A law was passed which forbade the formation of new ones and decreed the dissolution of those existing, provided that, not a majority, but one half of its members could be found to declare in favour of such course. Not a few of the old *zadrugas*, nevertheless, weathered the storm and managed to live down to present days. Many, however, were swept away, and the effect was seen in a loosening of communal ties and decline of rural prosperity. The large properties of the old *zadruga* were cut up into minute holdings, which do not thrive as well. The authorities soon discovered their mistake. It was too late, however, to create old-type *zadrugas* afresh. Therefore as a substitute they promoted the formation of co-operative societies among the peasantry. The population, accustomed to acting in common, took to such readily, and no doubt sooner or later Co-operation will prove a source of new wealth to us and revivify our Agriculture."

The Poles, among other branches of the Slav family, make excellent co-operators. And not in respect of Credit only. I have been privileged to see the interesting working of their land settlement societies, to which Germans are, on nationalist grounds, refused access. And I can testify to the excellent quality of their work. It was rather touching to see this oppressed race, in non-combatant opposition to a cruel attempt to crowd them, Ahab like, out of their homes, with all the tyrannical power of an absolute Government commanding a bottomless national purse arrayed against them, raising up bastion after bastion for its own protection, with only its own slender means to depend upon. Co-operative Credit—of the personal type—enables them to allow their settlers—whom a German Land settlement President, Herr Beutner, has admitted to me to be better fitted for the purpose than Germans—to enter upon their freehold holdings with not a penny paid down. Nevertheless the whole business passes off smoothly and leaves a clean balance sheet.

The co-operative banks of the Poles in Prussia are as like the German of the Schulze-Delitzsch type as can be. The Poles have accepted Schulze's teaching in full, and made it answer capitally. Only they would not, on nationalist grounds, join the German Union. And there is one feature to distinguish the two, which the Poles have added, in the shape of a Central Bank, which answers exceedingly well. The excellence of the Polish banks, heightened no doubt by the peculiar clannishness of their members, has made these societies to prosper and gather strength rapidly. Their Union set up for itself in 1873, with only 43 societies, comprising in all 7,660 members, having subscribed £31,174 share capital. In 1908, according to the last issued Report, there were 234 societies, with 105,793 members, £961,519 paid-up share capital, £428,325 reserve funds, £7,286,683 outstanding in the shape of advances made, and an annual profit of £126,188, against which there was only £534 loss to pit. The quality of co-operative banks may, as a rule, be judged by the amount of deposits which they succeed in attracting, because such indicate both the confidence which

the banks command and the application of such money to their proper purpose. Judged by this test the Polish societies have done admirably; for at the close of 1908 they had £7,418,594 deposits in their keeping.

Membership is of a decidedly mixed composition, which shows, once more, how fully Schulze-Delitzsch or Luzzatti banking—that is, a system of banking based upon the subscription of even only comparatively moderate shares, though coupled with only limited liability—will meet agricultural requirements. Of the 105,793 members of their Union in 1908, as many as 73,575 were directly connected with agricultural land, either as owners or else as tenants, 56,042 being "agriculturists" by calling. Of such number 1,683 were more or less substantial landowners, 54,292 small cultivating owners, and 2,067 tenants. The remainder consist of small manufacturers, artisans, and people of other callings who own their acre or two of land, or it may be less. These are certainly results to be satisfied with. .

The Union, as observed, has its own very useful Central Bank, which was formed originally by subscription for shares by individuals in addition to co-operative banks. Gradually the bank has been converted into more of what it is intended ultimately to be, that is, a bank of banks, by co-operative banks taking up the shares subscribed by individual holders. Of its £100,000 paid-up capital held in 1908 as much as £70,000 was held by co-operative banks of the Union. And more shares are progressively being transferred from individual holders' accounts to accounts of banks.

It is exceedingly satisfactory to know that, under a Resolution formally passed at the first All-Polish Co-operative Congress, held at Warsaw last year, the Prussian-Polish form of Co-operation for Credit is to become the accepted and recognized form in the re-united country of the sons of Lech. This resolution was passed by general acclamation after the system and its excellent results had been explained by the President of the Prussian-Polish Union, the Rev. Adamski, who more particularly recommended adherence

to the two points of having a Central Bank, and of holding strictly aloof from State aid. With respect to avoidance of State aid it seems worth pointing out that its acceptance clearly shows that it is not merely nationalism which has thus far quite naturally kept the Prussian Poles from accepting aid from their hated Government, but co-operative principle, which demands reliance upon self-help. In truth the Prussian-Polish societies have done very much better, even financially, with their pure self-help Co-operation, than their German rivals with all the State aid so generously lavished upon them. The Congress mentioned showed most promising heartiness in the adoption of Co-operation in the restored country of the White Eagle as an economic, social and educational help to the nation.

In Galicia, among a Polish and Ruthenian population, this system of credit is very widely practised, but not throughout in an altogether orthodox shape. The system, as has been already remarked, under slack supervision lends itself rather readily to abuse for the pursuit of pelf. In Germany itself there have been complaints that usurers have been admitted as members, who have used the co-operative bank for the purpose of raising cheap money to lend out again at high rates to others. The same abuse appears to be rather rife in Galicia, in which province every seventh person is said to be a Jew, and every Jew lives by "business," with a notoriously unthrifty race of neighbours to prey upon, above all people among wearers of the gabardine. In all these eastern countries the "Jew" pretty well dominates all business, most particularly business with agriculturists, whose regard for thrift or knowledge of business is not generally excessive. The rather high average interest charged for loans by Galician societies—higher than elsewhere, namely from 5¾ to 7½ per cent., appears to support the charge of proneness to "money-making." Of the 701 credit societies existing in 1905—statistics are, as already observed, very behindhand in all Austria—as many as 434 were reported to be, either altogether, or else for the most part, composed of Jews, at any rate under Jewish management.

So it comes about that in Co-operative Credit Societies Jews represent about 50 per cent. of the members sitting on managing committees. There are also distinctively Jewish societies—societies covering in Galicia a wide area comprising from 80 to 120 parishes each. And there are two wholly Jewish "Unions." There is a manifest desire in the province to cultivate "business" rather than to study restriction to qualifying cases. Under such circumstances it is easy enough to account for abuses creeping in. Indeed it would be difficult to keep them out.

The same charge of slackness in guarding against similar abuse is levelled against the Schulze-Delitzsch societies in Hungary—a country which includes a large Slav population. The Societies there, forming under Schulze-Delitzsch rules, style themselves "Independent Societies"—emphasizing by that title the fact that they are not supported either by the State or by magnates, upon which the societies claiming to be formed upon Raiffeisen lines are dependent. They form a declared standing opposition to the other class of societies which are magnate ruled and mainly rurally Magyar. Co-operative Hungary is in fact divided into two camps, not differing very largely in the number of members which they can boast, but very decidedly in the power and influence which they wield.

"Independent Societies" are disliked by the other, the Magyar, co-operative societies, on the professed ground of their including "so many Jews," a race not generally in particularly good odour with territorial magnates—except in the hour of need. There may in Hungary be partisan hostility in this, for Jews there stand for the most part on the Liberal side and are averse to State aid. The fact that Schulze-Delitzsch societies, on co-operative grounds, likewise condemn State aid, which magnate-led Co-operation lives upon, makes them fellow-victims of magnate societies. Nevertheless it is admitted that the "independent" societies have rendered, proportionately to the number of their members, genuinely co-operative services which may claim to compare well with those for which thanks are due to the magnate-led "legions." I

am not of course in a position to give recent figures showing either their strength or their activity.

Among all European nations one of the first to take up Co-operative Credit of the Schulze-Delitzsch type—the first of all among Slav races—was the Russian. M. de Louguinine, a Russian landlord, had sat at the feet of the great "master" himself and there learnt what he very rightly judged must, if found applicable, prove a veritable godsend to his then certainly backward country, which, with a treasure store of natural resources waiting to be turned to account, was thirsting for fructifying cash. Animated by humane aspirations, he would do for his race in things material what Saint Cyril and Saint Methodius had done for it in things spiritual, that is, bring it the gospel of salvation from poverty and debt. That was in the sixties. His first bank at Dorovatov, in the "Government" of Kostroma was formed in 1865. If M. de Louguinine has not succeeded to anything like the same extent in the same time as his "master," that is attributable in part to a marked difference in economic conditions in the two countries, but in part also to the restrictive policy which governed Russia actually up to 1905. Under the ruling of those old days whatever was to be done must be done by the Government.

And the Imperial Government, holding the reins tightly, had meddled and muddled to its heart's content. There had been dabbling in the promotion of "popular" credit for small folk before. However, that was not on co-operative, but on spoon-feeding lines, under the patronage of the State and the provincial Councils. The Government had for decades past bestowed much paternal thought and inquiry upon the problem of a suitable form of popular Credit to meet the generally recognized want. There is no occasion here to describe all the forms of assistance adopted. When Louguinine's "co-operative" programme came on the scene, there were actually, as a Government Committee has explained, no fewer than fifteen distinct categories of popular credit institutions in existence, none of which however was at all found equal to its task. What came nearest to self-help organization was the mutual credit societies

authorized in 1840—the very same year, oddly, in which our Parliament sanctioned the formation of our well intended but greatly disappointing "Friend of Labour Loan Societies." The result proved unsatisfactory. And the societies, the number of which in 1913 had dwindled to 215, with little business doing, cannot come seriously into account. Louguinine at length, in 1865, introduced real co-operative credit. A society, more or less resembling a Schulze-Delitzsch society, was then formed at Dorovatov, and in 1876 a Committee was formed by the Government, endowed with considerable funds and powers, to further the formation of co-operative societies, roughly speaking, of the Schulze-Delitzsch type. That Committee at once separated into two sections, one having its quarters at Moscow, the other at Petrograd. Louguinine, Prince Vassiltchikoff, Jakovlev and some other well-known furtherers of co-operative practices in Russia, attached themselves to the Moscow branch, which took Schulze-Delitzsch Co-operation for its model. It was by no means inactive, and the societies formed by it were much spoken of and acquired a certain sort of celebrity among economists. However the Schulze-Delitzsch societies, such as they were under legislation which scarcely favoured genuine co-operative practice, were after some time found to be insufficient for the purpose to be served. Accordingly, in 1895, on the proposal of the Petrograd Branch of the Committee (among which M. de Borodaewsky and Colonel Gerebatieff were leaders), Raiffeisen Co-operation came to be put into shape for Russian application. And it has made its way rather brilliantly. In the shape actually adopted it is not indeed anything like genuine Raiffeisen. However for the time it is found to answer its purpose under more or less elementary conditions. In any case what with one type and the other, Russia has brought up its force of co-operative societies to about 55,000 in all, 16,894 of which are credit societies. That was the figure for 1918. Since then there has been further growth. In addition to the law passed in 1895, there has been further legislation in 1904 and 1910, which now governs Co-operation.

Evidently it is the Russian natural predisposition to

Co-operation, the ready grip obtained by its people of co-operative principles, which has, in spite of faulty rules, terribly irritating interference by authorities, and generally backward conditions, favoured the satisfactory result achieved. For after all, in Co-operation, as in Religion, it is "the spirit which quickeneth." Good co-operative spirit will raise success out of indifferent rules; the lack of it will bring the best rules in the world to naught. But there is—and this is much less satisfactory—another potent influence at work to favour the spread of Co-operation. That is the help—unfortunately more than balanced by hindering interference—of the State. The State has poured forth its millions. It began with 14,000 roubles allowed to the Moscow Committee. In 1913 co-operative societies stood indebted to the State to the extent of 192,606,300 roubles. By November, 1916, the account had grown to 355,649,000 roubles and by November, 1917, to 473,600,000 roubles. That indebtedness is known to have further increased since, for the Lenin-Trotsky Government has shown itself remarkably kind to Co-operation. Its kindness is, according to the phrase of Bastiat, *ce qu'on voit. Ce qu'on ne voit pas* is the constant interference, the hampering oppressive meddling and muddling by the State. It is not a "Registrar of Friendly Societies" who sanctions the Rules of a newly forming society and so gives to it authority for registration. Promoters have to go for that to the State Bank and the Minister of Finance. There are shackles and manacles at every point. And there is the army of over 500 Government inspectors—formalists and officialists—to inspect. It is this which has kept back Co-operation for so long a time, really until the dawn of constitutional government. The Government wanted co-operative societies, but was at the same time afraid of them. So, between benefits bestowed and restrictions imposed, the movement would not progress. The sharp curb bit applied kept neutralizing the stimulating action of the golden spur. Emancipation came, let us say, in 1905. And Co-operation blossomed up at once, as if conjured out of the earth. On the top of it came the Revolution. And under that visitation, while

every other interest suffered severely, Co-operation alone made strides ahead which may well astonish observers. As a parallel to the supposed fame of Lord Byron's "Conrad," the Bolshevists' name promises to be remembered as "linked with one virtue and a thousand crimes." That one virtue is the regard paid to Co-operation, in which at the present time one eminent Russian patriot has declared that he sees the one hope of Russian reunion and the restoration of good government. The cruel anarchists deliberately spared Co-operation. They went beyond that and actually encouraged it. They left it all its money, while robbing every other hen roost. Only late in the day did they enforce, as related elsewhere, the absorption of the Moscow Narodny Bank as a separate branch into the national State Bank—even then still leaving its treasure intact and securing to it autonomy, which probably means that it is not to be robbed but made to serve as a first step in Socialization. The quite remarkable upgrowth of Co-operation in Siberia —Co-operation by which we are likely to benefit, while at the same time benefiting Siberians, by receiving their agricultural produce for our nourishment—seems little short of a miracle. In comparison with 5,709 co-operative societies registered in 1905, there were in 1917 46,057 societies and ninety-two Unions with about 13,000,000 members. Even India with its wonderful growth of Co-operation cannot rival such results. However it is but fair to mention that about 20,000 of the said societies are societies of consumers, distributive stores, and about 4,000 are *Kustar* societies, that is societies of producers engaged in "small industries."

But that is not the whole story. In a much earlier stage of their development than Co-operators of other countries have the Russians detected the value of gathering their co-operative forces together and forming strong financial centres to support the movement. They did not themselves want State aid with its restrictions and its 500 clogging inspectors. They would shift for themselves. It was probably the Banking Department of our English Co-operative Wholesale Society which suggested the move, as it has suggested similar moves elsewhere. Government had

threatened them with a Central Bank of the Prussian type, which in 1907 and 1908 nearly materialized, although co-operators themselves strongly resisted the proposal. Their first All-Russian Co-operative Congress, held at Moscow in 1908, afforded them an opportunity for knocking the scheme on the head by a strong resolution. With that resolution was coupled another to form forthwith a Central Bank of their own. It took about four years to prepare things for the execution of that resolve. But by 1912, when the first specifically Russian Co-operative Credit Congress met, once more at Moscow, the scheme was produced in definite shape. The "Narodny" (that is "People's") Bank was thereupon opened at Moscow, in that year. To the surprise of every one the entire share capital required to be shown for the obtainment of official sanction, that is, 1,000,000 roubles, was subscribed within a few months—85 per cent. of it by bona fide co-operative societies—and half was paid into the State Bank, as required by the law. By 1917 the share capital had grown to 10,000,000 roubles and a fresh issue of 25,000,000 roubles was out for subscription. The Bank needed such addition, because the claims upon it were so many and kept growing still further. Tenuity of its means stood greatly in its way at first. However, the State Bank soon came to recognize its solidity and opened to it a drawing credit up to a million roubles, which the Bank was not slow to use. Business increased further. The turnover in 1915 was £24,300,000. In the first eight months of 1916 it was £49,000,000. Deposits, which are taken down to the amount of 1 kopek, that is about a farthing, came in well. In 1917 they amounted to 80,000,000 roubles. During the third quarter of 1917 the Narodny Bank dealt out 64,000,000 roubles in credits. With such business for it to transact it is no wonder that during 1917 its indebtedness to the State Bank increased from 17,000,000 to 64,000,000 roubles, in addition to 12,000,000 roubles owing to private lenders.

The further growth of the Narodny Bank is really surprising. On January 1, 1917, of the 8,000 shares issued by the Narodny Bank, no more than 8 per cent. were held by

co-operative societies. It was private capital, coming in as demands grew, which had swelled the fund. On January 1, 1918, when there were 40,000 shares out, the proportion held by co-operative societies had risen to 27,415, that is 68·4 per cent. The Bank had grown into the recognized financial centre for all Russian Co-operation. The balance sheet of the Bank on January 1, 1918, showed a total of 321,000,000 roubles A twelvemonth after the figure stood at 700,000,000 roubles. The Bank's advances to co-operative societies had grown from 145,000,000 roubles in 1917, to 500,000,000 roubles in 1918. The Bank's dependence upon the State Bank had greatly diminished. But it was recognized that its own capital still needed strengthening, to enable it to cope with the business coming to its counters. It was accordingly decided to bring up the share capital then standing at 65,000,000 roubles to a full 100,000,000 roubles. And there seems no reason to doubt that the money will have been forthcoming.

All this story of co-operative development in Russia since the Government leading strings were thrown off, I submit, constitutes an unique occurrence in the history of Co-operation.

The Schulze-Delitzsch system had likewise found an entrance upon Russian territory, independently of Louguinine, through the Baltic Provinces, where German influence was powerful. But there, likewise, its action was sorely hindered by adverse legislation and regulations imposed which took away with one hand what they gave with the other.

So it comes about that it is not easy in the Russian "Loan and Thrift (or else Advance and Thrift) Societies" to recognize an offspring of Schulze's Credit Unions. To begin with, with admirable intentions the societies have been terribly coddled by the State with the provision, not only of money but also of printed forms, rules and books, *viva voce* lectures and the like. Everything, in fact, is done to "kill" Co-operation by very cruel "kindness." The Government "Committee," under M. de Sokolieff's guidance, issued obligatory rules for societies to accept and, to save newly forming societies expense, it provided them gratui-

tously with account books and the like. Societies forming under Rules sanctioned by Government were exempted from stamp duty and some taxes, and, to make things quite safe for them, Government authorities undertook even to collect overdue payments to their credit. The regulations then laid down continue in force for societies of this type. The form of organization prescribed is very similar to the German—indeed, actually copied from it. There must be three Directors as Managing Committee, a Council for control, and a General Meeting. In some respects full liberty is permitted. Societies may fix their own district, which as a rule extends over one volost. They are furthermore allowed the *gage sans desaississement*, that is, they may leave the chattels pledged to them for loans in the pledger's employment. They may form at their own pleasure under either limited or unlimited liability—the liability so pledged remaining in force up to two years after cessation of membership. But they are forbidden to advance money on mortgage, or to make advances generally for longer than twelve months. The Rules also insist upon a fixed payment annually to reserve. Rightly the law forbids the formation of societies for distinct classes or interests, keeping the right to be elected open equally to all. But there are unmistakably political reasons to account for this apparent liberality. One-class organizations were held to involve political danger. One very striking difference between genuine Schulze-Delitzsch societies and Russian is this, that the latter engage in other business besides Credit. Schulze would have no blending of business. In his excellent little book on "The Co-operative Movement in Russia" M. Bubnoff says that "almost every association engages in so-called "intermediary transactions"—which means that they engage in distribution and sale. Notwithstanding the certainly not ideal position thus given to the "Loan and Thrift Societies" —which condition might elsewhere have stood in the way of success—these associations have grown numerous and proved decidedly useful. There were in 1916 4,678 of them and they admittedly do a larger business than the more numerous Russian *soi disant* "Raiffeisen societies" (known

in their own country as "Russian Societies"). Thus, in 1906 847 of these societies sending in returns reported a business of 38,558,000 roubles, whereas 1,871 "Russian" societies had only 24,734,000 roubles business to show in 1908. (I have no figures for later years for these societies.) The figures are said to be generally typical of the transactions of the two classes of society organizations.

The Czech societies of Bohemia, Moravia and Silesia also have a good record. Even without the war to interfere, it would be difficult to quote trustworthy recent statistics. Amid such a confused chaos of races and languages, when it is presented at all, the record gives very little information indeed of the kind here required. Thanks to a highly developed industry, the three provinces named bulk largest in the co-operative statistics of the late empire, more particularly Bohemia, which in 1910 accounted for no fewer than 2,284 co-operative credit societies with 200,023 members, out of the 7,631, with 944,526 members recorded for all Austria. The figures for the three more or less Czech and Slovak countries—Bohemia, Moravia and Silesia—were for the same year 2,378 societies with 331,146 members. There were in 1906 in those same three provinces —or "countries," as the Austrians call them—668 Czech co-operative credit societies of the Schulze-Delitzsch type, with probably about 400,000 members, for the number of members given for the year 1905 was 359,658, and there seems to have been an increase. The collective share capital of those societies was reported as 20,851,166 crowns, the average share being of the value of 30 crowns (about 24*s*.). The reserve funds stood at 43,000,000 crowns. The advances made in the year are given as 374,661,800 crowns. The difficulty experienced in some cases in obtaining adequate personal security is indicated by the information given that not a few of these societies have pawnbroking departments attached to them. There is really nothing objectionable in this, if the need really exists. *Monti di Pietà* and *Monts de Piété* are in more countries than one under official management, to avoid abuse and fraud. And a co-operative society is as fully qualified to guard against such things as a State.

Only it is a proof of backwardness that the need of it exists.

There are no very striking differences to mark off the systems of Co-operative Credit organized on the Schulze-Delitzsch lines in some other Slav countries, such as Croatia —the ancient *antemurale Christianitatis*—and the country of the Slovenes.

The Schulze-Delitzsch Co-operative Credit practised—by the side of Raiffeisen Credit—by the Croats and Slovenes appears to be generally good and is carried on with evident zeal and devotion.

In Serbia, pushing country that it is—when the Austrians and Germans are not in it—Schulze-Delitzsch Co-operative Credit is a flourishing institution. But with all its prosperity it is nothing but a fraud, as big a fraud as Raiffeisen credit has proved a genuine success. Serbia is a country in which credit is much needed. Local money lenders have netted as much as 500 and 1,000 per cent. on their advances. Genuine Schulze Delitzsch Credit, such as it was attempted to establish—at Belgrade—in 1881, would under such circumstances have proved a real boon. However, where Lucre is king, it is difficult to keep out Greed. The newly formed banks took out power to carry on every variety of business—and used it, embarking, as a trustworthy correpondent advises me, in "*toutes sortes d'agence et de commission*," running *succursales* in Salonica and Ueskub, and elsewhere, in one place acting as agents for the Ottoman Government, in another for the Serbian, and "financing export trade" like the German "Export Banks." There was "money" in all this. Accordingly one is not surprised to learn that the number of such banks rapidly rose to about 120, with about 30,000,000 dinars share capital and 12,000,000 dinars reserves, doing an annual business of all but 1,500,000,000 dinars. *C'est magnifique, mais ce n'est pas de la Co-opération.* It will be satisfactory in a succeeding chapter to review the rural side of the question.

The account given of Schulze-Delitzsch imitations has carried us pretty far into the realm of what are not copyings but adaptations. But in the cases spoken of plainly adaptation has been resorted to because local circumstances and

differences in national habits demanded deviation from the beaten track. There has been a good deal of adaptation in Germany itself, and in cognate countries, without at any rate any such traceable cause to justify it. Germany is admittedly the land of divisions and subdivisions. A catalogue of its almost innumerable political parties shows how sections split up and split up again into mere fragments. There has in truth been no land of equal Big and Little-Endians and High and Low Heelers, since Liliput. New leaders have called for followers, and organized them with a view to creating something of their own, plausibly professing at the same time special considerations for distinct interests. The theory of distinct interests is, however, as I think has been shown, more particularly misplaced in Co-operative Credit which calls for the largest possible intermingling and interdovetailing of interests, because it requires as broad a basis to stand upon as it can command, with wants and redundances balancing one another, as nearly as possible, in virtue of their variety. The same objection applies to the claims set forth in support of purely local unions. In Co-operation—just as in banking generally—you want decentralization in executive work, but bulk, maximum bulk, in the provision of your raw material. Such various detached enterprises as we meet with in Germany and Austria, have given birth, in supposed defence of their existence, to an unconscionable quantity of bad theory, with correspondingly meagre results in practice.

One distinct creation, called forth by a different, but on the German Continent not unfamiliar cause, deserves passing notice. It is the *Hauptverband der Deutschen gewerblichen Genossenschaften*, which was promoted by the Prussian Government with a view to bringing State influence to bear also in the quarter of Trade, as well as in that of Agriculture in its own favour. The world of Trade had always met State overtures with a decidedly irresponsive mien. Schulze had laid himself out for supplying its wants, and had supplied them well. He was all along *persona ingrata* to the Government, on account of his Liberal politics. Those politics he did not in any way introduce

into Co-operation. But the fact remained that he was known to be a declared Liberal, as were most of his associates, and that at a time when Liberalism meant Liberalism indeed in Germany, aiming at an assimilation of German constitutional institutions to those of England. And Trade generally is Liberal. The problem was, to estrange it from that "sinister" influence, and the Government thought that State aid would do the work. After it had set up its State-endowed Central Bank, in the main to favour Agriculture, it offered similar service from the same well-supplied source also to tradesmen, if they would combine to co-operative societies under its precepts, not all in one strong society, but every trade by itself, so as to be more amenable to State domination. To societies so formed and so directed the State Bank offered ostensibly liberal financial assistance. As a matter of course a number of societies were formed—butchers, joiners, shoemakers, etc., etc., each trade by itself. And a certain amount of money was set in motion. However, the main benefit resulting from such State interference has been, that the system of payment by cheque and local clearing have become fairly common, especially among butchers dealing in the meat market. After a time, at an annual meeting of the Union of such associations, Herr Mager, their own "Inspector"—acting as such on behalf of the State-endowed Bank, which had appointed and which paid him—advised these societies that they would do better by joining the Schulze-Delitzch Union and acting with the Schulze societies. And when it came to the great breach between the State Bank and the Raiffeisen Union—at almost the very time when the Hessian Co-operative Bank collapse occurred—the Trade societies were not found on the side of their kind foster-mother of Berlin, in spite of all her millions. Although, like the Raiffeisenists, not objecting to the State plums, they did not relish the State finger in their co-operative pie.

The idea of such—so to call them—one-sided credit societies has to a very moderate extent found favour with Governments in some few other countries. Thus there are a *very* few in Finland, which has generally, in matters of

Co-operation, taken Germany for their model. Nowhere, however, do societies of this type appear to have done particularly well. Nor are their transactions considerable.

The lesson which the history of Schulze-Delitzsch banking in its original shape and in all its adaptations teaches seems to be this, that the principle upon which it is based, given appropriate circumstances, is simply excellent, and moreover that in it, more than in any other system of co-operative banking, is every variety of contingency taken into consideration with scrupulous care and prudent forethought, by the light of extended and very varied experience. Hence to the student of Co-operative Banking it provides an unsurpassed guide, a veritable Cyclopædia or Museum of serviceable methods. Wherever under it mishaps have taken place, it is safe to say, in Léon Say's phrase, that it is not the *machine* but the *mécanicien* that has been in fault. On the other hand, its methods, distinctly "made in Germany," are in more points than one adapted only to German conditions—and want to be eased and rendered more pliable to make them suited to conditions in other countries. To have accomplished this, to have brought about a transformation which leaves the principle intact but makes it workable among people who, like the Roman praetor, *de minimis non curant*—as do Germans by an ingrained habit—people who love readier and less entangling ways of dealing, is the great merit of Luigi Luzzatti who, accepting Schulze as *il gran maestro della Cooperazione*, the supreme teacher of Co-operation, has himself in his turn become the "father" of an admirable system of Co-operative Credit, un-Germanizing Schulze's original and making it acceptable to the world at large. It is to a description of his system that my next chapter will be devoted.

CHAPTER X

THE "BANCHE POPOLARI" OF ITALY

IF it fell to the lot of Schulze-Delitzsch to conceive a great idea laden with germs of practical utility, more specifically for people of his own race, with whose business usages and habits of thought he was thoroughly familiar, it was reserved for Luigi Luzzatti so to adapt that idea and perfect its application as to make it serviceable for the world at large. German usages, as it has been said, are not all other people's usages—the usages of people with habits less hardened by routine and who love free action. Luigi Luzzatti, some fifteen years after Schulze, became seized with the same idea, the main feature of which is decentralization of credit, organizations of business such as will prevent productive districts being drained of the fruits of their productiveness, in order to have them carried off to large "wens"—Cobbett's term—in central places, where their utility cannot be as great, while the depleted districts, which had produced the money, are left financially starved. As a youth of only twenty-two he secured for himself distinction by publishing, in 1863, a book upon *The Diffusion of Credit,* which at once stamped him a man of original thought and master of economic and financial knowledge. He had sat at the feet of Schulze and eagerly drawn in his ideas. Those ideas he had made his own. And he set himself the task of making them profitable for his own country—and at the same time in truth also for the whole non-German world.

Even before he tackled the specific subject of Credit he had taken up the question of Co-operation—or Collaboration,

if you so please to call it, of moderately endowed individuals for their own advantage, in provident societies. And under Austrian rule that all but secured him the distinction of political martyrdom—the uncoveted privilege of intimate acquaintance with Austrian prisons. As a denizen of Venice he was still a subject of the Austrian Crown. And the Austrian Crown held the organization of any societies, provident or other, as an act of rebellion. But for his timely flight into already emancipated Lombardy, he would have been made to follow the patriot Silvio Pellico to the Spielberg, there, it may be, to write a companion volume to *I Miei Prigioni*. However, warned in time, he happily made his escape to Milan, where his mental gifts soon came to be appreciated, earning him an honoured position as teacher of Economics, which position opened to him a career of great public utility and advance to eminence.

A refugee in " Italy," he did not allow grass to grow under his feet. Having made Schulze's idea of Co-operative Credit as a benefit to the poorer classes his own, he in 1865 formed an infant institution to dispense such credit, in the first instance—just in the same way in which Schulze had begun —on Friendly Society lines, at Lodi. That institution—long since converted into a full-blown co-operative bank, and doing excellent work as such among the substantial farmers of the fertile Lodigiano, as well as among the very poor people who live from hand to mouth—still exists and prospers. Its fifty years' Jubilee, at which of course M. Luzzatti attended in triumph, was a festival for all co-operative Italy. In the following year, 1866, proceeding upon bolder lines, M. Luzzatti became the founder of the *Banca Popolare* of Milan, from which, by the light of practical teaching, acceptance of the new economic gospel spread out rapidly in all directions, covering Italy in due course with democratized credit institutions and extending its influence far beyond.

Italy, indeed, stood in sore need of popular credit. Usury was rampant. Moreover, the country was commercially undeveloped. Protracted divisions and oppression had kept it poor in the main sources of national production. Even

its banking, its own distinctive line of business, so M. Magaldi has shown, was backward and out of date. The country which had taught all nations banking possessed little commerce; the country in which the Georgics were written owned an agriculture little advanced upon that which Virgil had described. Many attempts had been made to provide help. As Spain had its *pósiton*, so had Italy had her *monti frumentari*, her *monti nummari* her *monti dei paschi*.[1] Governments had sought to furnish assistance in their own paternal way, and even while M. Luzzatti was taking up his economic apostleship, ministers like MM. Torelli and Grimaldi might be heard strenuously urging banks and public corporations to make their funds available for the rescue of the needy. The measures then taken had the effect of bringing relief in the shape of reasonable credit to some *large* proprietors. But to the poor their result was *nil*. All this Government and capitalist meddling and muddling evidently was powerless to ensure real and lasting improvement.

[1] All these institutions may be assumed to have done good work, but work rather charitable than provident. In 1878 there were still 1,465 *monti frumentari* (some of which were already known as *monti pecunari*) in existence, dispensing among them 14,781,998 lire in loans. The majority were practically abolished, compelled either to convert themselves into institutions of a different type or else to close their doors, by a law passed in 1887. Since then there has been a further law, passed in 1904, favouring the conversion of *monti frumentari* into money institutions. A number of *monti* have taken advantage of the facilities offered. Some years ago, according to special information—which I owe to Dr. Magaldi, then of the Ministry of Agriculture, Industry and Commerce—there are *monti frumentari* still in existence in Basilicata and Sardinia, namely, thirty-five in Basilicata, after thirty-three had quite recently converted themselves into money institutions (*instituti di credito agrario*), though evidently retaining in part their original character as grain banks; for their possessions are returned as consisting of 350,937 lire in cash and 4,200 hectolitres of grain, which grain is, at the current price of 20 lire the hectolitre, valued at 84,000 lire. In Sardinia there were 319 *monti frumentari* on the register, but only 228 were actually at work, returning available property of 3,386,728 lire. Some of them were co-operatively organized, and in such shares were paid for in corn. At Cuglieri, for instance, two hectolitres of wheat are reckoned as a "share" I have reason to believe that since this information was given, a further transformation into money institutions has taken place.

Better success had attended the useful reconnoitring work which two distinct classes of banks had ventured upon in the province of popular credit, pointing the way—dimly and vaguely, it might be, but still, generally speaking, correctly—for more thorough-going reform. But attempts at improvement were being made. The Italian Joint-Stock Banks have detected very much sooner than any of their sister-institutions elsewhere the immense value of what may, by analogy, be termed "third-class traffic"—the banking business of those millions of comparatively poor people who make up by their numbers what they lack in individual wealth. By a variety of little experimental expedients they have studied to attract such humble customers to their counters. The Savings Banks did even better. Some of the Italian Savings Banks rank among absolutely the best in the world. They have a thrifty population to deal with, pouring in their millions of lire with a readiness which in a comparatively poor country is surprising. And it is satisfactory to know that all through the years of distress and crisis, while great commercial establishments crumbled to pieces, and taxes were imposed on the top of taxes, the flow of savings deposits steadily kept increasing. Of the ample money so coming in only a relatively small portion is invested in our pet security, Government Bonds, and not over-much in mortgages, which on the Continent constitute the favourite investment. For the remainder a use must be found in the exercise of personal credit. The sum so laid out, practically in competition with the banks—the directors being allowed a perfectly free hand by the law—and applied, thanks to judicious discrimination and admirable local knowledge, with only infinitesimal loss, is very considerable. Still, with all these aids, the great national want remained unsatisfied. Means and end did not fully agree—the machine was evidently not adapted to its work.

Luigi Luzzatti, with the shrewdness of a born financial leader, discovered what was needed. His has been a career peculiarly fruitful of excellent work, benefiting the poorer classes. Long before his public services in Parliament

had earned him the reward of political office up to the very highest, the position attained by him in his country was such that, as his friend E. de Laveleye testifies in his *Letters from Italy*, high and low treated him with a degree of respect reserved only for the most distinguished citizens. The reason of this was, that everybody knew him to be giving up his life to the service of his neighbours. Altering only the one word "*regno*," he might well apply to himself the noble words spoken by the first King of United Italy: "*Le classe lavoratrici sono quelle chi me stanno più a core. Il loro miglioramento è il programma del mio regno.*" Substitute "*vita*" for "*regno*," and you have a precise description of the "great idea"—de Pressensô's word—governing M. Luzzatti's life. There has not been a work of social reform taken in hand in Italy during the past five-and-forty years of which he has not been either the inspirer, or else at any rate one of the most prominent supporters. And now, what with his captivating presence, his fascinating and convincing eloquence, his peculiar knowledge, and his transparent honesty, he continues, without doubt, the foremost leader of thought in Italy on social questions, the person whose counsel is most largely sought, and the man possessing the greatest power of influencing his countrymen, the man upon whom the politicians of Parliament, the scholars of the Universities, and the large masses all look as upon their best teacher.

Remodelling Schulze's work with a happy skill, M. Luzzatti produced that of which he might well say with justifiable pride—"We have not copied an institution, but produced a *new type*, and, impressing upon it the stamp of Italian originality, we have created the *Banche Popolari*." Experience has amply justified his independent action.

Italy wanted People's Banks fully as much as ever did Germany. But the circumstances of the country, its habits of thought and of action—everything, in fact, which was likely to tell in their creation and work—being different, to be at all useful, the principle must be put into a new garb.

The first stumbling-block to be cleared out of the way was, as observed, unlimited liability. "Our people would

never have joined an association which threatened them with such grave danger," frankly avows M. Ettore Levi. M. Giustino Fortunato goes so far as to say that in the southern provinces of the kingdom the adoption of unlimited liability must have made co-operative credit " absolutely impossible." We shall see presently how, in circumstances in which it is indispensable, unlimited liability has nevertheless proved acceptable to the Italian temper, and has been accepted by M. Luzzatti himself. But in the " sixties " that was still only a matter to come.

Another decidedly objectionable feature in the German system M. Luzzatti perceived to be those forbiddingly large shares which were bound to frighten poor people.

The utility of large shares for certain purposes is, of course, not to be denied. Naturally they help to hasten the production of a large share capital, which is in itself a valuable attainment. But M. Luzzatti has shown that an equally large share capital is well to be got together by less constraining methods. And Schulze's main object, so it should be borne in mind, avowedly was that of making his banks " compulsory savings banks," by compelling to thrift. M. Luzzatti had greater faith in human nature. He considered that people might be led into a steady course of saving by means very much less coercive. Accordingly, he entirely reversed Schulze's method on the point of shares and, instead of issuing *large* shares, to be paid up in a very *long* time, he laid it down once for all that shares must be paid up *within ten months at longest*,[1] so as to give the bank, in the place of an indefinite and unascertainable asset " in the bush," its " bird in the hand "—a definite, if small, capital, absolutely within its own power. Paying up within ten months necessarily means comparatively small shares. In the place of Schulze's £15 or £25, with a minimum assigned of £5, we find in Italy shares exceeding 50 lire (£2) in only rare instances. The major portion of shares range between

[1] The term of ten months is occasionally exceeded. In not a few cases are twenty months allowed. The People's Bank of Cremona (*Società Cooperativa Popolare di Mutuo Credito*) allows even fifty months for paying up a share of 50 lire. This bank is very strong in capital and generally excellent.

25 to 50 lire (£1 to £2). There are some instances of smaller shares (down to 5 lire or 4s.), and only very few of larger, up to 100 lire (£4), which for ordinary purposes is the legal maximum. That places the member's minimum holding rather low. But his liability being limited, there is no reason why he should not, if so minded, invest in more shares than one, as one after another becomes paid up, up to the extreme figure which the Italian law, like our own, allows—namely, £200. The result has generally justified M. Luzzatti's trustful judgment.

Under such circumstances the member's average holding in shares is in Italian *banche popolari* undoubtedly smaller than in German *Creditvereine*—according to the figures quoted by M. Luzzatti in his Introduction to the last full Statistics of Italian People's Banks issued, 195·73 lire to 315·55 lire. But, such as it is, Italian share capital has proved as fully equal as German to its object of attracting adequate loan capital, which is the great test of its utility as a "capital of guarantee"; and that is really all that the share capital is intended for. According to the statistics quoted by M. Luzzatti, the proportion of loan capital so attracted (635,673 lire deposits on an average per bank to 125,662 lire share capital, and 48,977 lire reserve funds) was as about $3\frac{2}{3}$ to 1, whereas in Germany (732,196) lire deposits to 177,021 lire share capital, and 56,248 lire reserve funds) the proportion was as $3\frac{1}{7}$ to 1.

Having got rid of these two German incubuses, M. Luzzatti found himself at liberty to address himself constructively to the organization of his business. We shall see, when discussing the details of his scheme, that, like Schulze, he was careful to found his business dealings on business principles. Business must be business. Credit must imply security Money must be bought or earned, not obtained as a gift. We shall see how he provided the funds, not by begging for them, but by creating security which *commands* their supply, and did so from the very first, even from ordinary banks and savings banks (which of course treat such matters purely as matters of business); but that. holding fast through-

out by the principle that his banks must be independent of other institutions, and also that they must accept as the foundation of their business the accumulation of capital, he based their supply of working funds mainly upon the collection of savings deposits, in the attraction of which his banks, according to the testimony of all who have observed them, have proved exceedingly successful. The bedrock of security, however, so he held, must be the firm establishment of a reputation of the members for honesty and solvency. (*onestà e solidità*). He proposed—to the astonishment of the world—to " capitalize honesty." That means, of course, not that he would miraculously convert his members into saints or angels, but that he would make it their direct interest to be honest and punctual, and to see that their fellow-members were the same. They were to be put upon their responsibility. And responsibility was to be " divided down " so as to fix every particle of it upon some particular member. So viewed, his ambitious scheme, in spite of the ring of miracle about it, becomes very manageable and practicable.

The way in which the object aimed at was to be attained was to be by careful selection of members for admission, in order that their mere admission might be taken as some sort of guarantee of good character ; and by careful distribution of the several functions of administration, with strict enforcement of duties upon members, and careful study of security for credit given ; searching control of all business done ; and, to crown all, that " maximum of publicity," which Sir R. Morier has contended for, and which acts by business as oxygen does by the atmosphere, keeping it wholesome and pure.

Such objects are, of course, studied in the body which M. Luzzatti has given to his idea, the organization of his societies.

In the construction of his machinery of management he in the main followed Schulze's lines as they were before the remodelling of the German law.

The general management of the business, which includes the election of members, is committed to the *Consiglio*—

that is, the Board or Committee of Management—which, like Schulze at the outset, he would have large, indeed even larger than Schulze made his, but, unlike Schulze, he would have it unsalaried. This body, wielding—next to the General Meeting—supreme authority, varies in number from about seven, in the smaller banks, to 130 or 140 in the large Bank of Milan, every member of it being unpaid, and, for the security of the members in general, elected with care. M. Luzzatti insists more and more urgently, as time goes on—in opposition to his master Schulze-Delitzsch—upon purely *gratuitous* services. In the larger banks, of course, there must be a paid staff, and, in accordance with a resolution formally adopted at one of the great Congresses of People's Banks, these are paid not only by salary but also by commission on "profits," not on "business." This is found to act as a useful stimulus to good work. Some banks make such payment dependent upon the dividend attaining a certain minimum figure.

It is held very essential that the *Consiglio* should be a body thoroughly representative of the membership. The bank determines its own district, according to what it believes that it can manage. There are large memberships and small; large districts and small. The *Consiglio* should include members from all parts of its area, and also representative of all various interests, in order that it may be armed with full and reliable knowledge at all points. For, in spite of the generally middle-class character of these banks, membership is as a rule composed of a variety of distinct elements, let alone that it may cover a goodly area and therefore must comprise a number of groups identified with distinct local sections.

Being, by reason of its number, unable to attend to the daily routine work, the *Consiglio*—like the German "Council" before the alteration of the law—tells off from three to five of its members to serve in the executive capacity of *sindaci*. Only they do not so act *in corpore*, as does the German *Vorstand*, except for some few collective functions, like the drawing up of the annual Report. Separately, however, they are at all times during office hours represented in the

bank. One or other of them is expected to be in daily attendance, representing for the time the supreme authority. And without his approval and signature no transaction is recognized as valid. The *sindaci* may portion out their time among themselves at their own pleasure. Their work being rather laborious, they are, if they so choose, allowed to retire at the end of a year. The *sindaci*, as intimated, at the close of the financial year draw up a Report upon the actual business done, which is distinct from that of the *Consiglio* as a whole. The latter, of course, takes wider ground.

So much for the general management ; and in small banks such machinery has proved perfectly sufficient for all purposes. However, there is specific business to be attended to—the most important of all, to which the *Consiglio* itself could not in banks of any size devote adequate attention. We shall still have to consider the means by which funds are raised with which to carry on the business of the bank. That may be dealt with in a general way and is therefore legitimate matter for the *Consiglio*. However, credit allowed to members must necessarily be dealt with in detail ; every loan being considered *per se*, in order that there may be sufficient security for every advance that is granted.

Members are, by the constitution of the bank, entitled to easy credit in various forms—credit in respect of specific security which they may have to offer, and credit in respect of their own financial value and trustworthiness. Credit, so it has been laid down once for all, should in these banks be mainly *personal*. "*Ce qui me plait dans les banques populaires, c'est qu'elles font du crédit personnel.*" So wrote Léon Say after seeing these banks. Credit is rightly in the main based upon personal security, because that provides the least hampering, the most elastic, and the most educating form of credit. Credit on movable pledges of some descriptions, such as effects, is necessarily admitted. However, mortgage credit is decidedly not favoured. In that respect the late Lord Sydenham has no more obedient disciples than Italian people's bankers. Besides being in the main personal, People's Bank credit is necessarily

claimed and granted in a multitude of cases in only small amounts, which gives considerable trouble, alike in respect of inquiry and also of watching, but ensures additional security.

Accordingly, it was very properly judged that for apportioning with credit there must, in every bank of any size, be a distinct body, adapted to the business and elected on such ground.

It may be at once explained that it is, in People's Banks, accepted as a standing, irreversible, golden rule that not on any consideration should risk of any kind be incurred in any transaction, be it of credit or of investment. That is made the first consideration in all dealings: be careful to avoid risk! Committees are admonished never to lose sight of this one maxim. There must not be risk. They are dealing with other people's money. And their banks are there, not to earn a profit, but to provide cheap credit and to keep money safe. Therefore, above all things, it is their duty to avoid risk.

Beyond this there are various points to consider. Members are, as observed, in the first place, entitled to credit in respect of security, whether of pledges or of "character," for which they may be able to show good cause; pledges, if taken at all, are to be taken, by preference, only as collateral security. *Onestà e solidità* are to stand in the first rank. That means that as an instrument or record of credit transactions the bank must select for general use what has in point of fact long since become the financiers' currency, that is, the acceptance or promissory note. Such instances offer various advantages.

It is the most convenient record of a debt. And it has this additional recommendation, that it is in its turn reconvertible into money, yielding, to a bank of good repute, a profit in the process, since the bank is sure to obtain discounts at a lower rate of interest than the original borrower.

There are, of course, two kinds of acceptance, with both of which the People's Bank will be called upon to deal. There is the trade bill, which possesses the special recommendation of recording a genuine business transaction,

such as co-operative banks would by preference make the foundation of their credit business. A practised eye can detect whether a bill is an honest bill or a "plant." M. Luzzatti desired to attract trade bills. However, to discriminate among such there must, as observed, be a practised eye, which means that there must be a distinct discriminating body. On the other hand, there are accommodation bills, which are generally speaking less welcome, but which there must likewise be in a co-operative bank's business. These, once more, require a practised eye, and, even more, an informed mind. It was with them that the business began. And such business has greatly expanded, now that cash credit—which is as a rule protected by an acceptance for purposes of easy recovery—has taken its place by the side of discount business and is, in point of fact, getting much beyond it. The secret of success in People's Banks has been found to lie in what M. Ettore Levi has called a "well-mobilized portfolio," that is, a bill-case, the bills in which, being "liquid," may be readily passed on. To provide such "portfolio" there must be a body having means of ascertaining to what extent every member—there is no business done with non-members—may be trusted. For it is understood, as already indicated, that every member is to have his own "credit value" allowed to him, according to his financial worth, which value will determine up to what point he may be allowed to come to the bank for money.

The body upon whom the direction of credit operations with members devolves in the *Comitato di sconto*, a volunteer committee elected at the annual meeting, and consisting variously of from fifteen to forty members, taking their duty in turn, whose special office it is to consider and approve, or else reject, applications for loans or advances, and requests for credit to be opened in the shape of current accounts. There is no more important body of officers forming part of M. Luzzatti's co-operative organization than this *Comitato di sconto*, upon whose *fiat* it depends whether the credit of the bank shall be pledged or not. M. Luzzatti accordingly will have them amenable to no influence

whatever which might in the least degree draw them aside from the narrow path of impartiality and caution. His own wish is, that by a self-denying ordinance they should forego their own right of borrowing. That, however, he has not been able to carry. And, in truth, it seems asking too much. The *Comitato* prepare themselves for their active work of recommending or disallowing loans, by drawing up, independently of any actual application, a register, kept always in readiness, as their constant guide, but always strictly secret, which shows to what extent each member of the association may, in the opinion of the *Comitato*, be trusted with credit. Such register is called the *castelletto*. It is carefully revised from time to time and, should the estimate fixed in it for any particular member decline while a loan is out to him, or to any one else for whom he acts as surety—or, again, should securities pledged for a loan depreciate by 10 per cent. or more—the debtor is at once called upon to make good the difference, in the one case by providing a new surety, in the other by handing in additional security. On this *castelletto* people may combine to borrow. For instance, if A is considered good for £40, B for £30, and C for £60, on the strength of their joint signatures, any one of them is entitled to a loan of £130—provided that no other paper is out signed or backed by A, B, or C. Supposing that the *Comitato* are correct in their appraisement, the *banca* in this way makes sure of keeping its lending within safe limits; and experience seems to indicate that the valuation is generally trustworthy. Credit given in the shape of a current account is withdrawn if it shows no business. For that is held to indicate that the credit is asked, not for trade or productive purposes, but merely for accommodation.

Some banks have, in addition to the *Comitato di sconto*, a distinct *Comitato dei rischi*, which has been found extremely useful. The *Comitato dei rischi* keeps account of all the transactions done with individual members and with non-member sureties. Every loan, every endorsement, is chronicled in its books, as well as any other fact which may have a bearing upon the qualification of members

as borrowers. If they are punctual in repayment, if they give trouble—all these things are noted in the books of the *Comitato*, which for reference are invaluable.

Upon the manner in which the *Comitato di sconto* discharges its duties it will depend, not only whether the bank keeps solvent, so to speak, in the abstract, having value for its money, but also whether it keeps actually prepared for business at any time that such may offer, in the sense of having its resources "liquid."

To complete the account of the mechanical organization of the banks, there is one more body, quite peculiar to the Italian *banche*, and intended to mark more plainly their democratic character, namely, the body of *probiviri*. There are three *probiviri*, sitting in common, to whom an appeal may be carried on any point of dispute whatever arising in the administration of the *banche*, and whose judgment—to be pronounced only *in banco*—is final. A candidate refused admission, a member refused credit, a member sentenced to expulsion—whatever the question may be, an appeal lies to them, and their judgment, which is decisive, has in practice been found a rock of strength in maintaining harmony and keeping things in a satisfactory groove.

The offices of the bank, then, are systematically graduated. The General Meeting is supreme, under the law. Under the General Meeting the *Consiglio* directs affairs alike as an administering and—so far as the executive functions of the *sindaci* come into account—an inspecting and reviewing body, laying down general rules, electing new members, and disposing of the bank's funds in the intervals between General Meetings. For the daily supervision of the bank's business there are the *sindaci* as executive officers representing the *Consiglio* and answerable to it. And as arbitrators in cases of dispute there are the *probiviri*. All these are unsalaried. M. Luzzatti would not, like Schulze-Delitzsch, have the "labourer" receiving his hire in money, because he considered that he receives it in another shape and that to make the office worth money would disqualify him for the impartial and thoroughly conscientious discharge of his duties.

It may be convenient, before going on to the business of the banks, to mention that attempts have repeatedly been made to carry organization higher up. There was, as in Germany, to be a General Union, divided up into a number of local sections. The idea has only been very partially carried out. There are nominally nine *gruppi regionali*, the first of which, in the province of Treviso, was formed, and for a long time led, by the late Gaetano Schiratti, one of the most capable captains of M. Luzzatti's army. There are others in the districts of Mantua, the Romagna, Emilia, in the Marches, in the Abruzzi, in Campania, in Maremma and in Calabria with Sicily. But they are all of very loose formation and exercise no authority whatever over their societies. In truth, only the one group formed by Schiratti may be said to have any real existence. A comprehensive Union has never been formed. There is a "Federation." But that is only a body of subscribers, who raise funds among themselves to publish a journal—which the subscriptions do not always quite pay for—and organize occasional Congresses, the meetings of which are so irregular that after the sixth, held at Bologna in 1895, there was not another till 1907, when representatives of *banche*—and many others, being invited—met at Cremona. There is no general directing or reviewing body as in Germany, and whatever resolutions are passed at Congress bind actually no one. Hence the lamentable looseness and want of uniformity among the Italian *banche popolari*, of which no one has expressed himself more regretfully sensible than M. Luzzatti himself. There is no touch, no common rule, no inspection by a superior body representing the *banche* themselves, which bond of union in Germany gives so much unity to the movement, and, so to speak, also an equal, or almost equal, value to each bank. There are in Italy accordingly banks good, bad, and indifferent. The good are very good. But there are many otherwise.

Even now one may hope that this state of things will be altered. Inspection has been urged upon the banks again and again, among others with all impressiveness by M. Luzzatti himself. The case for it is unanswerable. But it

has been shortsightedly resisted by banks which have grown so used to doing everything for themselves that they resent the idea of having their affairs "pried" into. A well-intended attempt made by the Government to remedy the defect has been frustrated by the determined opposition offered by M. Luzzatti to the introduction of State inspection in any shape or form, even as a last resource in the event of societies failing to submit to inspection by officers of approved Unions. A measure conceived in this sense was prepared by the Government in 1913. Its principle was explained to me, at Rome, by the Minister in charge of the Bill in 1914. I confess that I did not see anything to object to in the proposal. However, M. Luzzatti would not hear of the acceptance of State inspection under any circumstances.

There has also been much talk about crowning the edifice of co-operative banking institutions in a financial sense by the formation of a Central Bank, to serve local banks as Central Banks do in Germany and Austria. Although advocated by M. Luzzatti himself, with all his wonted eloquence and all the weight of his personal authority, the proposal has again and again been defeated, and that for reasons which to a certain extent will pass muster. Had the proposal been brought forward early in the history of the movement, in all probability it would have been gladly adopted. In the interval, however, large banks had grown up, like those of Milan and Cremona, which already act, and act satisfactorily, as Central Banks for a large number of local banks seeking shelter under the cover of their ample capitals. The great bank at Milan has for years past been acting, practically as Central Bank, for about 300 local *banche*. Such banks, of course, are loth to surrender at once both profitable business and prestige. The greatest stumbling-block in the way, however, is the very marked difference in quality subsisting between bank and bank, owing to the want of inspection. Sound and solvent banks are not likely to commit themselves to a common venture with other banks of only doubtful quality, which must, as shareholders, be admitted to the same rights of a

say in the management—which means a voice in the bestowal of credit—but which might render the whole fabric insecure.

Some years ago, at the instance of M. Luzzatti, what professes to be a Central Bank for the *banche popolari*, and what, it may be hoped, will become so in full earnest, was actually formed. Its roll of shareholders still embraces only a fraction of the entire number of *banche*. After Inspection will have become a reality and shown the good results to be expected by experience, a healthy development may in all probability be looked for. Because a Central Bank of one's own, to take surplus deposits, rediscount bills, open credits, etc., is, after all, preferable, from a co-operative banking point of view, to an outside establishment, however well endowed, which may refuse the service desired.

We may now turn to the consideration of the banks' business. The main part of such is, of course, lending, which is carried out in a variety of ways. The granting of credit on a member's *castelletto* value has already been referred to. That is lending on what we call "character," and is now by preference done by means of cash credit. A more questionable method of lending appears to me to be that practised on the security of members' shares. I call it questionable, because obviously the value of the share to the bank consists in its being in members' hands. Were the bank to have to seize the "pledge," it might one fine morning find itself all shares and no cash. However, his method is very popular, and appears thus far to have led to very little loss. There are features in it, as practised, which decidedly help to make it popular, but in my opinion render it more risky. For banks do not stop at lending on the share as they would upon "effects," keeping below the actual selling value. Some of them, at any rate, advance more, up to twice the amount, upon the security of a share, holding that membership stands for some security, inasmuch as the member is not likely by default to forego the valuable privileges which as member he possesses.

Reference has likewise already been made to the common practice of discounting acceptances, in respect of which the law is in Italy far more reasonable than in Germany,

which may help to explain why acceptances are so well understood and so readily both given and taken even among rural folk. Also cashing of acceptances is made remarkably easy. Postmen, even rural postmen, are authorized to collect on their rounds. It is self-understood, of course, that in dealing with acceptances the bank should be careful to insist upon sufficiently substantial endorsements, which business the *Comitato di sconto* and the *Comitato dei rischi* are there to answer for.

Now from the adoption of the acceptance several things follow, more particularly since it is made an instruction to banks to study a "well-mobilized portfolio." To put it in a French way, whoever says "acceptance" thereby at the same time says, in the first place, "short credit," and in the second "re-discount."

Co-operative principle is accepted as requiring that as between large and small advances asked the preference, if preference there must be, should in any case be given to the small, because the bank being intended in the first instance for small people, who have nowhere else to go, it is in duty bound to provide for them first. There is something to recommend this also from a mere business point of view—provided that the question of security is gone into with the required care. For over the broader surface liability is distributed, the more it is divided into particles, the better secured is it ordinarily held to be. Fifty eggs are safer in ten baskets than in one. The bank's one interest requires that the credit, for however long intended, should be actually short. The shorter the term, the more effective control does the bank retain over the loan.

But in addition to this, the shorter the term, the more readily convertible is the acceptance in ordinary circumstances likely to be. And that is a point which managers of co-operative banks will do well to keep constantly in view. A bank's stock of acceptances held should be of such a nature that they may at any time be converted into money by being passed on. That means that not only should they be good in themselves, but beyond that also timed for a short period. Three months is generally speaking

the regulation time, and very strait-laced banks still adhere to the rule originally adopted, that after such term there should be only one renewal tolerated, but not encouraged. So narrow a rule it is, however, difficult to enforce. And the main point, after all, is, that the acceptance should be readily convertible. Long term bills are not.

In respect of agriculture indeed an exception has to be made to the rule just laid down. I shall have to speak upon that point at greater length. Suffice it now to say that in respect of advances made for agricultural purposes longer periods are permitted, but the acceptance is all the same in most cases dated at three months, though in some at six, and in rare cases even at nine. Where the term is short, it is generally understood that a number of renewals will be permitted, subject to a definite proportion of the principal being repaid at each renewal. By this means the total term is extended, generally to thirty months, sometimes to forty-two.

Although bills of exchange form the favourite medium for loans, they do not constitute the only one. Very much credit is, as observed, now given in the shape of cash credit, which may be, but is not invariably, secured as to form by acceptance. When it is, such acceptance is not kept for the purpose of "liquidity," that is, for possible passing on, but for more easy recovery. Although pledges—other than effects—are not in general favour, some lending takes place upon security of such kind, in the main to assist poor people, to whom such security is the readiest and most available. Some lending is done on note of hand. One bank, at any rate, that of Bergamo, which is a good bank, lends on pledges *sans dessaisissement*—pledges which remain in the borrower's use, as they might here under a bill of sale, only without the ignominy of a public record of the act. Mortgages, as observed, are generally forbidden. But the banks lend on "dock warrants" and on invoices, on labour bills, and on a variety of similar instruments common among trading and manufacturing folk, but not generally negotiable except as an act of special consideration and at a high discount. To be able to borrow on such security at ordinary

rates of interest constitutes a material convenience to the public. For instance, a tradesman having money owing to him from a customer need but obtain the latter's acknowledgment of the debt—provided that the debtor is "good," or can make himself so by security—to have the account discounted. Under this arrangement builders carrying out contracts can receive the money wherewith to pay their workmen while the work is in progress; a printer working for a publisher who demands long credit can obtain his money. It is very common for poor people to buy sewing machines with money borrowed from a People's Bank, which practice of course they find exceedingly useful; it secures to them all the conveniences of the "hire-purchase system," without exacting the same high price. It is doubtful if by any method the *banche* have rendered to the humble trading classes and small folk generally more material and more welcome service than by this convenient, popularized lending. The practice has proved useful beyond that; for it has to a considerable extent altered the custom of trade by its example, and made cash payments the rule in the place of credit. Again, banks advance money on rents falling due, or indeed on any prospective claim sufficiently assured and acknowledged. The People's Bank of Bergamo has advanced money on cocoons, secured by the undertaking that the spun silk shall not leave the spinner's house till the debt has been repaid. To the small silk-growers this has proved a substantial benefit.

And as a matter of course the banks have not stood still at the dispensing of credit. In small banks, acting for a limited number of members of humble financial status, no more than credit was required. The large banks have become banks indeed, banks in the fullest sense of the term, rendering every variety of banking service—busy hives of business the largest are, in which every banking requirement is readily satisfied.

In lending, invariably the preference is, as observed, given to small amounts, which has resulted in a low mean figure for advances granted. Some recent statistics show that 20·97 per cent. in number, 19·37 per cent. in value, have

ranged from 201 to 500 lire; 10·18 per cent. in number, 21·14 in value, from 501 to 1,000 lire; 4·30 per cent. in number, and 29·00 in amount, from 1,001 to 5,000 lire. Accordingly, close upon 70 per cent. of the money was lent in sums ranging from £8 to £200. Only ·53 per cent. in number, 13·45 per cent. in value, went beyond 5,000 lire; and 67·02 in number, 17·04 in value, fell short of 200 lire.

As has been said, it was M. Luzzatti's desire that the poor —those too poor to join a bank as members—were to derive some direct benefit from the banks. This is, indeed, one means by which banks laying themselves out for much "business" seek to salve their "co-operative" conscience. "Co-operation" is in Italy not rarely confounded with "philanthropy." Many fine things have been said in praise of the *prestito sull' onore*, the "loan of honour," by means of which loans, not intended as gifts, are distributed among deserving poor. But this is not really business, although it apes its form. Co-operative bankers have owned to me that they maintain the practice—which now extends to only very few banks and very small amounts—"to please M. Luzzatti."

Of course, the banks do not give their money to every vagabond who may claim it. They have special committees appointed to inquire into cases. Thus the *Banca Popolare* of Bologna nominates a distinct committee of five to deal with the matter. Some other banks—as, for instance, those of Cremona and Bergamo—entrust the distribution of the money voted to some allied friendly society. The *Banca Popolare* of Milan makes a point of having always some representatives of local friendly societies on its "loans of honour" committee. Most of the loans granted are small. But I have come across grants to one man of 500 lire (£20), and even more. The *Banca Popolare* of Milan and the *Banca Popolare* of Bologna never grant more than 200 lire to one applicant. The *Banca Cooperativa Operaia* of Milan (founded only in 1884, with a subscribed capital of 134,800 lire, specifically a working-men's bank) had in 1890 granted 1,455 such loans, 655 being under 50 lire each, 595 between 50 and 100 lire, and 25 upwards of that amount.

The "loan of honour" is always made repayable by instalments—as a rule, in ten months, though in some cases the time for repayment is spread out over sixty weeks or even longer. Some banks charge a moderate interest, others lend gratuitously. From the *banche popolari* the institution of *prestiti sull' onore* has spread over the whole network of provident institutions in Italy, into whose work it fits in much better than into banking. The *istituti di mutuo soccorso* (that is, Friendly Societies) have taken it up, and most trade societies—stonemasons', barbers', sign painters', and so on—practise it as a regular part of their business.

The *Banca Popolare* of Milan for some time handed over its annual quota to the *Banca Operaia*, a working-men's bank, to distribute. However, that little bank soon came to grief through bad management. I cannot find any very recent data recorded as to *prestiti sull' onore*. It deserves to be mentioned that losses from *prestiti sull' onore* appear to have been few and trifling. In the case of the *Banca Popolare* of Milan, in twelve years they did not amount to 10 per cent. In 1890 the *Banca Popolare di Credito* of Padua reported only 2,000 lire of losses out of 100,000 lire lent out; only 43 "doubtful" loans out of 2,000 contracted. The *Banca Popolare* of Bologna in the same year set down only 2,000 out of 100,000 lire lent as "doubtful." In 1889, out of 9,250 lire lent out in 93 loans, it had lost 313 lire.

Incidentally it may be deserving of mention that in cases of floods, earthquakes and similar catastrophes *banche popolari* have been found exceedingly useful organizations for distributing charitable relief, making the same amount of money go further by, in a sense, lending it rather than giving.

It remains to discuss one decidedly important form of credit which figures very prominently indeed in the catalogue of services rendered by *banche popolari*.

Time has been when in the teeth of very patent facts it was denied that *banche popolari* of the Luzzatti type could be useful to agriculture. It was the old fable carried across the Alps from Germany. Guelphs and Ghibellines were at

war. That war, in which very disproportionate forces were pitted against one another, was in Italy brought to a happy conclusion in 1907 at the Congress of Cremona. From that date forward "Luzzatti" and "Wollemborg" have fought and worked as allies. And since then a similar agreement has been happily brought about in Germany between "Schulze" and "Raiffeisen." Beyond doubt the Italian *banche popolari* have done and continue to do a great deal indeed for agriculture—incomparably more in money value than the *casse rurali*; and it is really not their fault if they have not done more. A mere look at the business of such banks as those of Cremona, Lodi, Brescia, and Rovigo must prove this. The statistics of 1898,[1] moreover, show that in that year the *banche popolari* reporting advanced "to agriculture" the goodly sum of 104,943,582 lire—more than £4,000,000. The *Banca Popolare* of Bologna in the preceding decade had lent out in all 84,074,297 lire for agricultural purposes, of which sum 49,207,788 lire went in 4,046 loans to large landowners, 4,416,978 lire in 804 loans to large tenants, 25,974,660 lire in 21,494 loans to small landowners, and 3,454,871 lire in 2,075 loans to small tenants. The *Banca Cooperativa* of Padua reckons that about a quarter of its general lending goes to agriculture. And in such business there has long been a steady, though slow, advance observable.

Without question, the Italian *banche popolari* do a great deal of lending in support of agriculture.

Since our agricultural authorities are at present engaged in exercising their inventiveness over solutions of the same important problem, it may not be amiss briefly to tell the story of the evolution of co-operative agricultural credit in Italy. Italian statesmen have stumbled and bungled in their tentative progress just as ours do now—though perhaps not quite so badly.

Credit to agriculture has, in truth, long been the peculiar pet child of Italian legislators and economists. It has all along been felt to be so much needed. And at the same time it has proved so difficult! As the outcome of an

[1] There are no later statistics.

agitation immediately succeeding the establishment of political union, the Italian Government in 1869 passed a special law which authorized a number of banks to issue notes for specified amounts—30, 50, and 100 lire—on the security of certain cash balances held. The notes issued serve as legal tender in their provinces, and pass current, indeed, much beyond. One would have thought that this must be a highly profitable business for the banks. However, the country has never taken to the system. The brief term to which lending under this law is restricted—three months—was of course against any extensive business. In addition, the difficulty of having to be prepared to cash whatever paper was issued the moment it might be presented, prompted the issuing banks themselves to keep their issue within narrow bounds. There were a short time ago only two credit institutions issuing under this law, namely, the excellent Savings Bank of Bologna, and the equally well-managed *Monte dei Paschi* of Siena, and their joint issue had dwindled to about £64,000 in all, which is an inconsiderable sum. I should not be surprised to hear that this business has altogether ceased since then.

Approaching the same task from a more independent, but perhaps a more practical, standpoint, M. Luzzatti endeavoured to adapt our practice of Exchequer Bills and Treasury Bonds to the Italian market. He introduced the *buoni di tesoro d'agricoltura* or *cartelle agrarie*, which under the shape of bills or bonds secure credit for long periods. Before issuing such, he prudently made sure of the willingness of the large banks to discount them. It is interesting to note that in thus adapting themselves to the demands of agricultural credit, the *banche popolari* have introduced into their *regolamento* a rule evidently borrowed from the Raiffeisen banks, which requires borrowers to state the object of their loan beforehand and to adhere to it on pain of forfeiture.[1] The business actually done has not realized the hopes entertained. So far as I can

[1] Regolamento Provvisorio per Remissione dei Buoni agrari presso le Banche Popolari del Primo Gruppo italiano (Rule 4 in Ettore Levi's Manuale, p. 548).

gather, the *cartelle* have been taken up in the main by friends of the movement, as a means of lending support to a good cause. There is no *bonâ fide* business done in them in the market. It wants a stronger body than co-operative banks to make Exchequer Bills pass current.

In 1887, when the law of 1869 had incontestably proved a failure, the Italian Government decided experimentally to adopt M. Luzzatti's new plan, which was based upon the provisions of our Lands Improvement Act, fortifying it by the imposition of Government authority. The Act of that year gives power to credit institutions to issue bonds running for a fixed period (*cartelle a scadenza fissa*), for the length of which no limit is laid down. In practice I believe that two years is about the longest term permitted. The loans issued under this law may be secured either by mortgage, or else by a "privilege" equivalent to that given under our law of distress. To ensure this, lenders must have their claim registered. This is done free of charge. But it means a great deal of trouble and delay and entanglement in red tape. The Savings Bank of Bologna, which probably does the largest business of this sort among non-Government institutions, had some time ago about 1,700,000 lire (£68,000) of such *cartelle* in circulation. That is not very much. Generally speaking, the second experiment is admitted to have resulted in failure like the first.

To the late managing director of the *Banca Popolare* of Bologna, M. Sani,—one of the largest and most enterprising and original of Italian People's Banks—the method prescribed by the law of 1887 appeared from the outset so little contrived to serve its purpose, that he preferred to make the ordinary practice of lending, on acceptance or by cash credit, available for agricultural uses. Being exceptionally strong in capital and deposits, his bank was in a particularly good position to venture upon the experiment. Long terms could not occasion any serious inconvenience to it. The agricultural population of the district consists mainly of freeholders. However, mortgages would be inconvenient as a security. So the bank secures itself by sureties or deposited effects —mainly by sureties—lending on acceptance for the term

of six months—after which a renewal may be granted—or by cash credit for the term of a twelvemonth, on the expiration of which the credit may likewise be renewed. In either case interest stands at 5 per cent. This method has proved not only acceptable to the agricultural population, but also very safe. It is easily applicable, even without the precaution of local committees such as are usual in Germany, because the large council of the bank includes men from all districts, persons who know sufficient about the agricultural population to be able to ascertain and advise what borrowers deserve to be trusted. In any case there have been no losses.

M. Sani's method, being simple and practical, is the method which, roughly speaking, all agricultural banks dealing at all in agricultural credit have elected to put into practice—Lodi, Brescia, Bergamo, Cremona, Rovigo, and that whole cluster of smaller *banche popolari* which the late Postmaster-General of Italy, M. Maggiorino Ferraris, has helped to raise up in his native country of Piedmont, established mainly for the service of the rural community. The cash required is provided either by the steady inflow of deposits, the command of a strong reserve fund, or the issue of long-term bonds, which, after all, secure something to strong banks. Or else banks of this kind adopt the precaution of keeping a comparatively large proportion of their funds invested in readily marketable securities of steady value, so as to be prepared for sudden calls. These securities are made to answer the same purpose as M. Ettore Levi's "mobilized portfolio." In Italy, where Government Consols pay a comparatively heavy interest, and Post Office Savings Banks accordingly make a profit, this is an easier process than it would be in the United Kingdom. In any case the banks show that they can provide the money. To ascertain the borrowing value of their clients they employ pretty much the same methods as the German banks. They have branches, or local committees, or else local men to whom they can apply for information. In many cases the task is facilitated by a combination, very usual in the country, of tax-gathering with banking, which provides useful infor-

mation, brings people to the "shop," secures a small profit, and materially reduces the otherwise heavy taxes levied upon the bank itself. That, of course, is a peculiar practice, which is not likely to commend itself outside Italy. On the other hand, the work is more difficult than in Germany, because among the agricultural population the proportion of *tenants* is very large, and tenants have rent to pay, in default of which, as in England, they may be distrained upon, under a law which is as severe as our own. That is one reason why it is absolutely indispensable that the credit granted should be *personal*. "This is all the more important in a province like our own, in which large properties predominate, and tenant holding makes of it an absolute necessity." So wrote to me the late Tullio Minelli, Chairman of the Co-operative Bank of Rovigo, which in 1894 lent out, out of 7,900,000 lire in all, about 4,740,000 lire (£189,600) to farmers. "Tenant-farming imposes personal credit as a necessity." In the district of Rovigo, the landlord is generally applied to for information about his tenant, and in many cases he readily goes bail for him. In the Lodigiano, where there are many *large* farmers, farming 600 to 800 acres and more, who may require substantial sums, and who consider themselves every bit the landlords' equals, such practice is out of the question. However, really, the landlord's testimony being unavailable, the tenant borrowers are all the more careful to satisfy the bank with regard to the danger of a distress. In any case the losses are infinitesimal.

I abstain from entering in any detail into the semi-charitable or philanthropic lending of a purely agricultural kind (for small holders) practised by some co-operative banks, because that is not business but almsgiving.

In another chapter a new method has been referred to by which the Government is endeavouring to develop co-operative credit for the benefit of agriculture, and more particularly of small agriculture, with the help of State funds. That practice, not being co-operative, has no claim to a place here. It can scarcely be held to have thus far proved satisfactory.

Before taking leave of the subject it may be well to refer to a further method of assisting agriculture with credit practised by the *banche popolari* which, simple as it is, has been found exceedingly helpful—so much so that it is now being gladly adopted by French agricultural syndicates. This method is in principle the same which has for some time back been practised with good effect by the Raiffeisen associations in Germany. The members of the agricultural syndicate, so far as they wish to avail themselves of credit, join, or else form, a co-operative bank, which, upon any demand for credit being made, of course, satisfies itself with regard to their trustworthiness, and, if desired, opens to them a cash credit secured by sureties or otherwise. That credit, or part of it, the member assigns to the agricultural syndicate (or common purchase society), which thereupon opens him a corresponding credit for the purchase of the articles in which it deals. He may make use of such credit, or he may not. If he does not, he will have nothing to pay. The practice effectually helps farmers over the difficulties which I have found to stand in the way of agricultural co-operative supply in this country—viz., a want of ready cash. The farmer buys practically on credit, like our own poor or thriftless farmers; but, having made sure of a credit with the bank, he at the same time obtains all the benefits of cash payment and co-operative purchase with respect to price and quality, being charged only a moderate interest by the bank upon the money actually drawn. The method is simple, but it has its distinct advantages.

It is time now to turn to the consideration of the supply of funds.

For the provision of funds there are shares, of course. But such shares are not really intended to supply working funds, but to serve as "capital of guarantee." There are, again, entrance fees, by which M. Luzzatti sets some store —but rather because they tend to keep members in the bank than because they help to swell the volume of available capital, which they are far too small to do. The largest entrance fee levied is of the amount of £1; but most

are smaller, some very small indeed. Next, there are the reserve funds, to the systematic building up of which, once more, M. Luzzatti attaches great importance, and to the accumulation of which Italian *banche popolari* pay considerable attention, raising the reserve fund in not a few cases considerably above the amount of the share capital. So it is in the People's Bank of Bologna, where I found 2,931,664 lire reserve funds to 1,586,728 lire share capital. So it is in the "Catholic" Bank San Paolo of Brescia, which had some time ago 484,088 lire reserve funds to only 100,000 lire share capital. There are more cases. People's Banks as a rule carry from 20 to 25 per cent. of their annual profits regularly to reserve. That is the proportion recommended by an old expert, M. Ettore Levi. However, reserve funds were intended, not to be absorbed in business, but to be kept in reserve against unforeseen contingencies.

In the earliest years of their existence the co-operative banks were allowed the privilege of issuing notes, which was at that time considered exceedingly valuable. It so happened, moreover, that small notes were at that period very much appreciated in Italy. By 1872 accordingly the *banche popolari*, then eighty in number, found themselves with as much as 1,022,000 lire worth of these notes in circulation, for the most part of the five-penny denomination. However, the privilege was withdrawn in 1874. The note issue ceased—and the People's Banks have not suffered any loss by the change. Since that time, indeed, other banks have discovered that note issue is not all gain.

M. Luzzatti accordingly looked further for his supply of cash. And in strict accordance with the principles taught by Schulze, he looked for it above all things in the collection of deposits, more particularly savings deposits.

One reason for this is that, as he has often impressed upon his followers, he desired his banks to be independent. One of his watchwords is: *siete independenti sempre, isolate mai*, that is: "Let it be your constant endeavour to exist by your own strength, but never cut yourselves off from others of your kind." There is no source of supply which makes so much for independence as savings deposits. Other

deposits lump heavier at first, but are withdrawable at somebody else's pleasure, and then leave big voids. To guard against this M. Luzzatti has fallen back upon *buoni ruttiferi a scadenza fissa*, that is, interest-bearing bonds issued for long fixed periods. For such a higher rate of interest may be paid. After rather a protracted period of not very successful struggle, these bonds have in a limited number of cases of very good and strong banks succeeded in ingratiating themselves with the public, more especially —which is not in itself particularly desirable—the larger denominations, running for a long period. They appear to be purchased, as M. Minotti, Managing Director of the People's Bank of Bologna, advises me, for the purpose rather of more or less permanent investment, than of temporary deposit. However, useful as these bonds have otherwise shown themselves to be, they possess the drawback of burdening the bank with a debt at a comparatively high rate of interest whether it require the money or not.

Savings deposits, besides being educationally a good thing in themselves, are far more convenient to rely upon. In urging their collection M. Luzzatti pursued a wider object than that of providing his bank with funds. He aimed at training the people systematically to thrift, and at the same time at keeping the money produced in a district within that district, to fructify there and benefit the section of the population from which it had been gathered. "But for that institution," so Sir J. S. Lumley in one of our Blue Books quotes M. Luzzatti as saying, while applying his observation to the *banche popolari* generally, "the whole of the savings of Lombardy would be concentrated at Milan, and the blessings of commercial and agricultural credit would be unknown, not merely in small places, but even in large towns such as Bergamo, Brescia, Cremona, Pavia, Lodi, etc., where the savings deposited in savings banks amount to millions of francs." The *banche* are antagonistic to monetary "wens," they localize and decentralize. The collection of deposits has accordingly been made one main feature in the Italian system, and, as we shall see, not without distinct success.

As an encourager of thrift there could not be a more effective agency. The *banche* have become one of the most favourite species of savings banks known—not because, as Sir J. Lumley has suggested, they allow a higher rate of interest than the public savings banks. The official returns published show the rate of interest to vary considerably in individual banks, descending as low as 2½ per cent. (which is *below* public savings bank rate), and rising in some instances as high as 7 per cent. The reason why the *Banca Popolare* is the general favourite seems to be that it is the local people's *own*. In 1894[1] the *banche popolari* had among them 206,825,358 lire (£8,273,014) of savings money in their tills. The *Banca Popolare* of Milan alone in 1890 held 35,500,000 lire. The little *banca* of Lonigo, which from being a *succursale* of Vicenza in 1877 set up as an independent little establishment, with a capital of 150,000 lire (£6,000), held in 1890 1,522,728 lire of savings banks deposits, in addition to 1,213,706 lire of other deposits (practically also savings), and 336,677 lire balances on current accounts. "*Voilà plus de* 3,000,000 *lire d'épargne constituée goutte à goutte*," remarks M. Rostand. And he goes on to explain: "The local Post Office Savings Bank has few customers; as happens everywhere where the initiative is strong, these intelligent workers prefer independent private action to the action of the State, and understand the advantage which they derive from carrying their money to a place from which it will return to them as a fertilizing dew in the shape of loans or the discounting of bills." Official statistics show that in the year 1893, with their small capital of 114,722,132 lire, People's Banks in Italy had attracted 372,164,388 lire of deposits, whereas ordinary banks, commanding share capital more than twice as large, viz., 260,465,920 lire, had been able to attract only 349,093,984 lire, actually a smaller sum, in the deposit market. By the end of 1906 the share capital of People's

[1] The figures have of course gone up considerably since then. But I still quote these, because the quotation following distinctly refers to them. In the meantime, however, the Post Office Savings Banks have likewise made substantial, and comparatively even greater, progress.

Banks had increased to 132,686,132 lire, and their holdings in deposits to 718,653,571 lire. I have not the corresponding figures of other banks. There is nothing to account for this striking difference except the greater confidence reposed in People's Banks.

However, deposits are after all withdrawable, and not in themselves likely to provide as much money as an active bank may be expected to require in busy times. There are banks for which deposits are entirely sufficient. M. Scotti, of the Co-operative Bank of Acqui, has laid it down that "a good deposit bank should stand in no need of further supplies." But his experience has been gathered in a comparatively small bank in a distinctly rural district. Banks in active industrial centres, and even in some rural, are differently situated, and must at any rate have a safety-valve open, by which to help themselves. Mere commonplace borrowing—so much money for such a time—will not answer the purpose, because it ties down the bank to fixed periods and may involve its having borrowed money lying idle. So here we come back once more to the indispensableness for banking purposes of the convertible acceptance, which for this reason, once more, M. Luzzatti made the preferred instrument of credit in his banks. And what with deposits and rediscounts, the *banche popolari* raise all the money that they require.

Thus judiciously constructed, "fitly joined together" in all its parts, the fabric of Italian People's Banks has shown itself admirably adapted for the discharge of a surprising variety of functions.

Quite enough has surely been said to show with what liberal hand the *banche popolari* deal out their money, be it in showers or be it in driblets, to the small artisan or to the substantial yeoman—readily, smoothly, safely, with remarkable adaptability to varying circumstances.

What a stream of almost exhaustless beneficence does this system of People's Banks seem to turn loose upon a thirsting world! And how wasteful do our own profuse, but carelessly distributed, gifts appear by the side of these self-repaying loans! It may be said that we have the

money, and need not look to economy. But our carelessness leaves such a wide margin of distress which goes without benefit! And the greatest benefit of all, the lesson which teaches people how to help themselves, how to make the help received from others go furthest, the lesson of thrift and businesslike habits, in our free-handed but easy-going giving—which is the product rather of instinct than of reflection—we generally miss altogether.

As might have been expected, once the "Utopianism" of M. Luzzatti's scheme had been disproved by facts, once the People's Banks had shown themselves truly beneficent associations, hindrances disappeared, and the banks multiplied pretty rapidly. Up to 1883, indeed, an adverse law stood in the way. Their number increased by nine, two, seven, five, ten in the year. Nevertheless, in 1882 it already stood at 206, with an aggregate capital and reserve of 57,822,000 lire (£2,312,880), that is, about £11,200 per bank, and a members' roll of 114,072 (821 per bank); and their collective lending amounted to annually 156,042,366 lire (£6,241,696). By 1889 the banks had increased to 714 (as against 159 non-co-operative credit institutions), with 114,979,542 lire (£4,599,180) capital and reserve, and lending out annually 285,936,946 lire (£11,437,476). Their annual transactions had risen from 206,899,142 to 425,339,827 lire. In 1893 there were 730 banks (of this system only, without counting the *casse rurali*), of which 662 sending in returns under this head showed a collective members' roll of 405,341.

From that date forward their number increased much more rapidly. There have been times of setback, as immediately after 1893, when depression and slack trade found out co-operative as well as other banks, though with very much less severity. The number of *banche popolari* then went down by ten. In every respect their movement has been characterized by greater steadiness than that of other banks. It is impossible to quote figures to show a common rate of lending. The rates of interest vary considerably—which is in part to be accounted for by the greater value that money possesses in the backward provinces. Although the

quality of the banks varies not a little as among themselves, losses have throughout remained trifling. Every now and then a co-operative bank would forget that it was co-operative, and, attracted by the prospect of profit, would dabble in business which was not legitimate for it. However, generally speaking, such catastrophes—which are entirely due to departures from accepted rule—have remained few indeed. And there can be no question that generally the business of the Italian co-operative banks is sound and conducted on safe lines—sounder and safer, more uniform in its management, less exposed to risks and dangers, than that of other Italian banks.

Of course the spread of the banks has been very uneven. In the South of Italy banks grew up like mushrooms—only, in many cases, to disappear as rapidly. There is no specific against bad or careless practice. The main strength of People's Banks now undoubtedly lies in the North, that is, in Lombardy, Venetia, and Emilia with Piedmont following on.

The present strength of the banking movement may be gathered from the following figures. There were on December 31, 1906,[1] 832 *banche popolari* registered under the Act, of which number, however, only 710 sent in returns. Those 710 banks had collectively a subscribed share capital of 92,549,384 lire, 90,136,491 lire of which was actually paid up. Their debit holdings in deposits, cash-balances, and bonds issued amounted to 735,443,052 lire, their holdings in acceptances to 455,341,310 lire, in addition to 76,970,683 lire advanced otherwise. Four of the banks referred to possessed share capital in excess of 2,000,000 lire, rising, in the case of the *Banca Popolare* of Milan, to 9,373,300 lire. These banks were shown to be very unevenly distributed over the kingdom. Campania possessed the largest number by far, viz., 141, but then 101 of these reported a paid-up capital of only 6,252,091 lire, whereas in Lombardy, the leading province in the matter, seventy-eight banks, out of a total of eighty-three, reported 36,501,988

[1] That is the latest date available; the new statistics are in hand but may not be issued for some time.

lire paid-up share capital, and 37,394,377 lire subscribed. Their holdings in acceptances and bonds amounted to 181,525,447 lire, their holdings in deposits, bonds issued, and customers' cash-balances, to 295,126,400 lire. Venetia follows next, at a considerable distance; then Emilia, and in fourth rank Piedmont. It is in these four active provinces mainly that the co-operative banking business is concentrated.

For more detailed particulars we have to go back to the Statistical Returns of December 31, 1902, issued in 1904. Out of 736 banks registered at that time 696 reported a collective share capital of 85,627,364 lire, with 37,231,141 lire reserve funds, and, by the way, 129,242 lire invested in "loans of honour." Their ordinary deposits stood at 104,615,030 lire, their savings deposits at 313,407,272 lire, out of a debit total of 755,910,379 lire; their holdings of acceptances discounted stood at 355,220,997 lire, the sum of other advances due to them at 49,466,558 lire. In 1898 (there are no more recent data in detail) there were in 594 of 696 co-operative banks then registered, which furnished returns, in all 381,845 members. The entire lending of the 696 banks within that year amounted to 824,182,661 lire. The mean value of each discount given was 441·96 lire, of each advance not made by discount 379·45 lire. The percentage of advances not recoverable at the time, whether lost or only doubtful, had gone up, owing to reckless lending in Apulia, Campania, the Abruzzi, and Calabria, to 3·04 per cent. For Lombardy it stood at only ·37 per cent., and for Venetia at only ·19 per cent.

M. Luzzatti at that time publicly compared the Italian banks with the German, and found that in the place of 561, as in Germany, the Italian banks averaged 642 members, and that the average share capital stood in 594 of these banks at 125,662 lire as compared with 177,021 lire in the German (962 banks), the reserve funds at 48,977 lire as compared with 56,248 lire, the deposits held at 635,673 lire as compared with 732,196 lire, the profits at 11,498 lire as compared with 13,081 lire, the allowances for philanthropic purposes at 211 as compared with 91 lire, and

the lending at 1,426,724 as compared with 2,107,370 lire. The two sets of figures appeared to him near enough to prove that both clusters of institutions are carrying on more or less the same kind of work in similar volume. Of course the German banks are stronger. But M. Luzzatti argues that the best Italian are more co-operative. In M. Durand's words, they have become "the envy of Europe." They represent a fabric which, as a financial power, ranks side by side with the Rothschilds; which does a full third of its own country's banking; and which through its thousands of channels dispenses annually a stream of millions, trickling down to the very spots on which help is most needed, and bringing forth prosperity in trade and agriculture, planting comfort in myriads of homes, and feeding, by the enlarged market which it supplies, the commerce and industries of Italy.

That is the picture which presents itself to our eyes to-day. However, things wore a very different aspect in 1863 and 1864, when M. Luzzatti entered upon his crusade against usury. He then found himself face to face with a task of no little difficulty. He had his "plan of campaign" ready. But his army for fighting it had still to be created. There were only very few who believed in his "chimera." The very friends who consented to join him were sceptical, and contributed their small subscriptions rather "to oblige their friend," or "as one engages in a doubtful charity," than with any faith in the scheme. Like Schulze in Germany, M. Luzzatti found himself hampered by a socialist "Lassalle," one Boldrini, perpetually crossing his path and acting the Shimei by him. However, Boldrini had no Bismarck to back him up, and so his opposition came to a speedy collapse. A more serious hindrance was to be found in the backward state of the Italian law, which recognized no societies with unlimited capital, such as co-operative associations must needs be. Until 1883 the *banche* were compelled—innocently enough—to sail under false colours, styling themselves "joint-stock companies," and altering the figure of their "limited" capital from year to year, in order to comply with the law. That helps to explain

the comparatively slow progress made up to the date named.

In spite of all these hindrances, M. Luzzatti—after a little co-operative experiment made in connection with a friendly society at Lodi in 1864—late in 1865 decided upon starting his first People's Bank in Milan. He found, as it happened, amid a world of obstacles, two forces favouring him. In the first place there were vast stores of money lying ready to his hand in the keeping of joint-stock banks and savings banks, whose custodians were not only willing, but even eager, to let the new organizations have them, if they could at all satisfy them of their trustworthiness. The managers of those institutions readily detected in the new organization an agent who might be turned into an exceedingly serviceable ally and feeder. He could open to them a wide additional field of business, all the trouble of cultivating which would fall to his share, while most of the profit would come to them. They resolved to trust him. In M. Luzzatti's words, they actually "vied with one another" in their efforts to take the new People's Banks under their "maternal guardianship." "In doing so," M. Luzzatti frankly insists, "they have only consulted their own interest." But all the same, he gratefully acknowledges the most opportune assistance given.

The second helping force which from their birth stood the new *banche* in good stead was the friendly societies. "We have issued," so says M. Luzzatti in one of his addresses, "from the womb of the friendly societies (*delle viscere materne di quei sodalizi di reciproco aiuto*)." Friendly societies were well developed in Italy. The point may become of considerable importance to at any rate one section of our own friendly societies, namely, those known as "dividing societies." With a co-operative bank handy, in which to lodge the money received when the annual "great divide" takes place, the objection which is quite naturally often raised against such societies comes to be met.

The Friendly Societies at once detected the social and economic value of M. Luzzatti's idea, and took it up readily. Such societies were, as a matter of course, wholly debarred

by their rules from themselves practising co-operative banking. But if they could not convert themselves into loan banks, they could at any rate supply the *banche* with members and secure to them support by making their system understood among those for whom it was mainly intended. From the first they stood by the *banche*. The two institutions have become sworn allies. And the *banche* have had many an opportunity of repaying the favour of early support by substantial pecuniary services rendered when they had become strong.

On May 25, 1866, M. Luzzatti opened the doors of his modest little establishment at Milan in a small hired room. It was a puny little affair. The bank had but £28 for its capital—oddly enough, precisely the same sum with which our Rochdale Pioneers entered upon an economic reform destined to revolutionize British commerce. "*Moi, je souscrivis* 100 *lire, j'etais le millionnaire de la bande.*" Of course they could employ no paid clerks or officers. All work must be gratuitous. But there was a good will at the back of the enterprise. "Half my heart," long after said M. Luzzatti himself, "is wrapt up in the People's Bank of Milan."

The bank began its petty business amidst sneers similar to those which greeted the early labours of our co-operators of Toad Lane, in the humblest of ways. There seemed to be a long uphill fight in prospect. However, in its very first year fortune stepped in to befriend the bantling institution in quite an unexpected way. It had not been in existence many days when a monetary crisis, throwing all business into confusion, furnished to its founders an opportunity for showing their ready resource, and enabled them, by turning that chance to account, to raise their bank at once into public favour and reputation. The late Felice Mangili, who was Secretary of the Bank, relates the incident in his *Memoria*, published in 1881. Barely had the Bank of Milan opened the doors of its modest office, when Italy was plunged into war. In the then state of affairs war necessarily meant a financial crisis, and the Italian Government, by way of aggravating such, had anticipated the

opening of hostilities by enacting forced currency for the notes issued by the National Bank. There was general consternation. Gold was at a high premium, paper money was correspondingly depreciated. The Savings Bank of Milan alone lost about 800,000 lire before it rightly knew where it was. The public were in a state of ferment, and serious disturbances were apprehended. The *Banca Popolare* promptly came to the rescue, offering to issue *buoni di cassa*—bonds, or bills, that is, not notes—for small amounts, five, three, two lire, against security. The public jumped at the opportune suggestion. The Municipal Council readily approved it, and the printing press was at once set to work with admirable effect. A serious crisis had been averted—and the reputation of the *Banca Popolare* was made.[1] Within a year the number of its members rose from 400 to 1,153; its capital grew to 217,000 lire, its reserve to 7,902 lire; at the end of the twelvemonth it had discounted 687,606 lire worth of acceptances, had received 341,251 lire of deposits, the total of its transactions stood at 10,957,086, its profits at 16,030 lire. It was enabled to pay its members a dividend of 5 lire per share, that is, 10 per cent. The ship was fairly launched, and sailing along with a favouring breeze.

In its subsequent career the bank has had more than one severe crisis to weather. However, the good fairy which befriended it at its birth stood by it all through. In no experience do the merits of co-operative banks show themselves more brilliantly than in their capacity to live through crises. Every crisis that has visited Italy has left far less impression upon the People's Banks than upon their non co-operative rivals. More recently, it has taken about six years for the general monetary crisis, which affected

[1] It may be interesting to note that in 1893, during the great monetary crisis, something of the same sort was done, once more at Milan. There was a great dearth of token coin. Lire pieces were not to be had for love or money, and even bronze pieces were scarce. Trade threatened to come to a standstill. A local committee in Milan hereupon resolved to issue one and two lire notes on its own authority. The act was illegal. However, so much was the issue appreciated as a relief that even the Post Office gladly took those little green paper tokens.

ordinary banks at once, to penetrate into the citadel of co-operative banking; and when it did reach it, it led only to a diminution of business, not to any disastrous collapses. During one of these commercial disturbances the *Banca Cooperativa Operaia* of Milan actually went on increasing its roll of members from 4,268 to 4,929, its share capital from 58,547 to 63,856 lire, its available funds from 2,927,350 to 3,192,800 lire. The *Banca Popolare* weathered the storms which troubled it triumphantly. In the first fifteen years of its existence, up to 1880 (inclusive), its losses amounted in all to only 191,636 lire (£7,664), of which 68,567 lire was owing to frauds committed by employees and 3,606 lire sacrificed in support unwisely given to a co-operative printing establishment. And since that date the bank's losses have remained as trifling. The greatest danger which the bank ever had to face arose, not from a crisis, nor from outside pressure, but from its own midst. In the years from 1871 to 1873, when the promotion fever was raging throughout the world, and in Italy took the shape of what Signor Mangili has called *bancomania*, the shareholders grew greedy, and clamoured for the conversion of their bank into a joint-stock concern, in order that they might through it engage in speculation. The Committee offered a stout resistance, and just managed to defeat the motion. Their constituents grumbled, but have lived to thank their leaders for their firmness.

The face of things is changed, indeed, since those early days of struggles without and dissensions within. The Milan Bank has become one of the marvels of Italy. It is lodged in a palace. It employs, in addition to about 70 unpaid officers, more than 100 clerks. The number of its members stood at New Year 1909 at 24,774. Its paid-up capital amounted at the same date to 9,619,550 lire, consisting of 192,391 shares, with a reserve fund of 4,809,775 lire at the back, to raise the sum total to 14,429,325 lire (£577,172). In addition to 129,066,147 lire of ordinary deposits, the bank held 34,583,226 lire in savings. It had lent out in the course of the year 140,243,954 lire (£5,609,758 on acceptances. It carried on business with more than 300

other *banche popolari*, acting in a manner for them as a Central Bank. On a total turnover of 2,678,467,278 lire (£107,138,691) it had realized a net profit of 1,531,178 lire, which enabled it, after the deduction of the usual amount for profit-sharing and charities, to pay dividend at the rate of 7·20 lire on the 50-lire share. Its management expenses figured at 462,221 lire (not including rates and taxes). "*Toute cette organisation,*" remarked M. Rostand, struck with admiration on seeing it, "*est remarquable comme ordre, ingeniosité, perfectionnement technique.*"

What millions of money dispensed to those who could not by other means have obtained any does the fifty-three years' work of that bank represent! And really that is the smallest portion of the service which it has rendered. "By its influence on legislation," says M. Rostand, "and by the model which it has supplied, the *Banca Popolare di Milano* has laid in Italy the foundation of co-operative credit." Of those hundreds of banks which dot the Italian territory from the Alps to the Mediterranean, so says M. Léon Say, the People's Bank of Milan is either the mother or the nurse. "*La Banque Populaire magistrale de Milan et les grandes caisses d'épargne de Milan et de Bologne dominent, de la hauteur de leurs dizaines ou centaines de millions, tout le peuple de ces petites banques avec leurs petites caisses d'épargne qui se meuvent dans leurs orbits et puisent les épargnes partout pour vivifier partout l'agriculture et les petites industries.*"

Summing up the history of the bank, Signor Mangili ascribes its success to the gratuitous rendering of services by the officers, the non-limitation of capital, the smallness of the payments exacted from members, the restriction of each member to one vote, the studied division of business into small units, with the extension of credit to every member who has shown himself deserving of it, the preference given to cheap credit over substantial dividends and the avoidance of any risky operation.[1]

[1] La gratuità delle cariche, il capitale illimitato, le quote di tenue imposto pagabili anche conversamenti a piccole rate, l'unicità del voto, il frazionamento delle operazioni, l'elargizione del fido a chi

All M. Luzzatti's banks have not grown to as great power as the one whose rather meteoric history has just been told. Nor can it even be alleged that all have done well. It will still be shown that some have fared otherwise. But wherever right principle has been adhered to, the tale has everywhere been more or less the same. It does not require superhuman effort to start a People's Bank, once you grasp the principle. But the right principle must be adhered to if there is to be success.

It may be advisable to give in brief words instances of other good banks, to show how the system works, how it will adapt itself to a great variety of environments and what good it will produce.

The great "Queen Bank" of Milan, indeed, with its mighty volume of business, I desire to hold up rather as an instance of signal success than as an absolutely perfect model. M. Luzzatti himself has awarded the palm for quality among all his banks to the excellent *Banca Popolare* of Bologna, which he speaks of as undoubtedly, "the first in the world." These words were uttered at Bologna, otherwise they might appear unkind to the banks of Cremona, Bergamo, Vicenza, Lodi, Pieve di Soligo, and not a few others. However, a better model certainly could not be held up for instruction and imitation than the People's Bank of Bologna, which at the close of fifty years' existence finds its paid-up capital increased from 111,756 to 1,586,100 lire, with a reserve fund of 2,931,664 lire at its back, and its turnover grown from 700,295 to 71,106,088 lire. Its annual profits have correspondingly increased from 4,787 to 317,529 lire. In the place of the modest 696,450 lire which marked its first year's business, it now lends out annually, among its 5,573 members, 46,153,166 lire. The brilliant success secured is not, however, what either M. Luzzatti or myself would wish to hold up most conspicuously to admiration. That success has been attained by excellent management, evidenced by the careful attention given at all points to the convenience of members—but concurrently

fra i soci si ne monstra veramente meritevole, il credito anteposto agli utili, l'esclusione d'ogni operazione aleatoria."

with a practical display of philanthropy and public spirit bound to attract support. The bank has shown itself largely given to good works, not only in the way of "loans of honour" and contributions to useful and charitable funds and enterprises, but also in spending freely for technical education, which is to bring profit to the Italian vine-growers, artisans, and husbandmen. Its "loans of honour" it grants, up to 100 lire, free of interest; but it insists upon prompt repayment. In interest-bearing loan business it makes it a strict rule to give the preference to small business. Of its loans it is interesting to note that since 1899, when this branch of its business became considerable, 18,253,986 lire has gone to agriculture, lately at the rate of about 2,500,000 lire per annum, about half in discounts and half in cash credit.

All this money has been lent at the rate of $4\frac{1}{4}$ and $4\frac{1}{2}$ per cent. And never, not even in periods of greatest crisis, has the rate of interest for other loans or discounts been raised above $4\frac{3}{4}$ or 5 per cent. The rates allowed on deposits ranged from $2\frac{1}{2}$ to 4 per cent., according to the period for which the deposits were made. Losses have been infinitesimal. In the years 1907 and 1908 they amounted severally to 5,695 and 2,370 lire. One would wish to see every People's Bank animated by the same spirit.

It may be worth mentioning that the People's Bank of Bologna is the only institution of its kind which has taken advantage of the authority given by the law to collect very small savings in the shape of stamps which the Post Office cashes at a discount of 1 per cent.

The People's Bank of Cremona, having about twice the capital of the Bank of Bologna, is as excellent a type, and is interesting more specifically on the ground of its considerable agricultural business in a district at least as much devoted to agriculture as to industry. At the back of 3,302,250 lire share capital it has reserve funds of 2,678,900 lire. Its business amounted in 1908 to 382,842,926 lire. Its rate of interest charged has since 1870 never exceeded 6 per cent., since 1890 never 5 per cent. It holds nearly 43,000,000 lire in saving deposits. Of 30,987,299 lire acceptances dis-

counted in 1908 6,702,900 lire came from large farmers, 4,343,740 lire from small cultivators, 71,056 lire from rural labourers, 10,954,315 lire from larger manufacturers and traders, 7,543,449 lire from small, 226,054 lire from industrial labourers, 683,901 lire from clerks, schoolmasters, and the like, and 461,889 lire from persons of unknown occupations. Its losses in 1908 amounted to 121,761 lire.

The Bank of Lodi—*Banca Mutua Popolare Agricola*—really the oldest bank of the Luzzatti type, is another admirable bank bearing a strongly agricultural character. Of something over 7,000,000 or even maybe 8,000,000 lire lent out annually, quite 4,000,000 lire goes to agriculturists, generally speaking of the large tenant class. Such loans are as a rule made in the form of cash credits, and losses are practically *nil*. As a proof of the confidence which banks like that of Lodi inspire, I may mention that an English engineer on the spot, holding an appointment in the service of the " Light Railways " of the district, informed me that he had advisedly drawn his money out of the local joint-stock bank in order to put it into this co-operative bank, " because he knew it to be safer."

The Bank of Rovigo has only 2,761 members as compared with the 7,400 of Lodi, and its capital is only 690,574 lire as compared with 2,793,772 lire (in both cases including reserve funds). It is equally agricultural but caters for a different *clientèle*—the smaller tenantry. The Bank of Rovigo in 1908 lent out 22,168,783 lire on bills, in addition to cash credits. Its losses on agricultural business are infinitesimal.

The *Credito Agrario Bresciano* is an independent institution, but following generally Luzzatti lines. Its *clientèle* is specifically one of what in Italy counts as " medium " farmers—generally speaking freeholders. The larger farmers go by preference to the local Savings Banks, which, like all Italian Savings Banks—except, of course, that of the Post Office—is allowed by law to lend on personal security. The small go to the *casse rurali* of their districts, adapted " Raiffeisen " banks, of which I shall still have to speak. The Bank of Brescia is interesting as working for a long

time side by side with an industrial co-operative bank established in the same place, and in a district in which co-operative credit has not been called into being by the extortions of usury. Even without such provocation, in a district in which good cultivation makes all the difference between profitable and unprofitable husbandry—one-third of the area is under irrigation—the urgent need of ample working capital, upon which I have laid stress elsewhere, has naturally come to be recognized. The Bank of Brescia has slightly over 2,000 members, a paid-up capital of 810,650 lire, with 1,215,075 lire reserve funds, and lends out some 10,000,000 lire at about 6 per cent., which enables it to pay its shareholders from 4 to 6 per cent. in dividend.

The Bank of Acqui, almost purely agricultural, is interesting because it has raised itself to acknowledged strength from what was practically bankruptcy. The bank was formed in 1883, to serve an exclusively agricultural—that is, viticultural—district, and within little time found itself with 400,000 lire to the bad, owing in the main to depreciation of land and agricultural produce. It had imprudently dealt in "the forbidden thing"—forbidden to co-operative banks—credit on pledges of produce and land. Signor Scotti then took charge of the establishment as manager. Fortunately, for him as it happened, another bank in the neighbourhood came to grief about the same time, and people in the district transferred all their deposits to Acqui. Since then the bank has made deposits its principal source for the supply of funds. It takes bills from neighbouring smaller banks, but rarely passes its own on for rediscount. To secure itself against danger which might arise from a sudden withdrawal of deposits, the bank keeps a comparatively large portion of its funds invested in readily marketable securities, which means that, to keep itself safe, it does less lending in proportion to its money than industrial banks. It is now strong in funds, and pays a good dividend.

Speaking of agricultural banks, I am bound to mention the little host of small banks, specifically agricultural, of Piedmont. Actually the smallest of these is that of Spigno, which has little over 200 members. In 1894, when I visited

it, there were 228, of whom 18 were medium cultivators, and 163, the bulk of the *clientèle*, decidedly small men, alike freeholders, tenants, and *mezzadri* (*métayers*). Thirty members were village tradesmen. Of the 228 members, 112 held only one share of 20 lire (16*s*.) each. The small share capital obviously could not go very far, and evidently savings deposits were not very considerable. The people are very poor. The friends of the movement have come to their aid, paying in deposits and taking long-term bonds. And the local friendly society, which is really the parent of the bank, and which still provides the bulk of its members and lends its office, pays in its funds. So does the *municipio*—the parish council. This is a common practice in Italy. By that means the little bank, holding only 11,849 lire of paid-up capital of its own, was enabled to lend out in 1894, 179,670 lire, of which the major portion was lent in amounts under 300 lire. As much as 49,327 lire was lent out in amounts of less than 100 lire (£4). This little bank is to me one full of interest. But what with the support which it received on the strength of the "moral" responsibility which Cavaliere Spingardi, the President, frankly owned that men like himself—he is the "little Providence" of the bank—owe to their poorer brethren, in excess of the duty which their limited liability lays upon them, I can scarcely look upon it as a *bonâ fide* "People's Bank," however useful and beneficent it may be. And I cannot help thinking that in so small and so distinctly rural a district a Raiffeisen bank would be more in place.

In Italian towns, as in the country, to see how the *banche popolari* can do good work, it is well to step down from the level of large institutions like those of the *banche popolari* of Milan, Cremona, and Bologna, to a lower stratum. On a smaller scale there is quite as good work to be shown. There could not be a more co-operative bank than the *Banca Cooperativa Milanese*, which, having begun on rather humble lines, now commands a share capital of 3,447,050 lire, held in 68,941 shares by 5,674 members, with 907,083 lire reserve funds at its back. It has a name for being greatly helpful,

more particularly to small tradesmen, and also to co-operative and productive societies. Its deposits amount to about 8,500,000 lire. In 1908 it discounted acceptances to the amount of 25,607,598 lire, and granted 13,175,455 lire in cash credits. Its losses amounted to only 11,105 lire. In Bologna, side by side with the pretentious *Banca Popolare*, you have the modest Operatives' Bank, locally known as *La Banchina*—its correct title is *Banca Cooperativa per gli operai e la piccola industria della città e provincia di Bologna*. The bank has now 10,190 members, dispersed over all the province, and disposes of a paid-up capital (with reserve fund) of 241,180 lire. The members are all small folk with small wants in respect of loans. The majority of loans vary between 200 and 300 lire. Serving a large district, by means of local agencies—which, in conjunction with the large amount of work necessitated by the smallness of the transactions, swell the expenses and make a margin of 2½ per cent. between lending and borrowing imperative—the bank deals out about 4,000,000 lire in loans in the course of a year. Descending lower still in the scale, there is the *Cassa Cooperativa di credito della Società Operaia maschile*, which issues only 5-lire shares, thereby securing a capital of 49,205 lire, with reserve funds of 31,297 lire raised self-denyingly by assignment regularly of 30 per cent. of the annual profits. Thanks to the collection of 237,329 lire in savings, it managed in 1908 to lend out a considerable sum to its working-men members. This little bank is really one of the triumphs of working-class self-help in Italy. It was set up in 1883, with only 464 members, subscribing 10,980 lire (£439) in share capital. For ten years its shareholders were content to do absolutely without dividend. By dint of sacrifice and pegging away the society has managed to raise itself to its present position. From 14,670 lire its savings deposits have gone up to 237,329 lire; its credits have grown from 23,663 to about 281,000 lire. And the little institution maintains itself and keeps solvent, and does an immense amount of good in dispensing relief to working folk by loans which up to recently must not in any one case exceed 150 lire (£6) if

the loan be an advance, or 200 lire if it be granted by way of discount of an accepted bill. Lately the limits have been raised severally to 300 and 500 lire. The interest charged is necessarily rather high, 6½ per cent., and the maximum length of time is fifteen months. No member is allowed to hold more than five shares. The whole concern is humble, but thoroughly republican, and has been raised up out of palpable weakness. By good management it has succeeded in maintaining itself, and maintaining itself creditably, by self-help alone.

M. Luzzatti, in his Preface to the last Statistical Return of *Banche Popolari*, calls attention to the increase in the number of credit associations formed specially for the use of civil servants, railway employees, and others forming the staff of large establishments, and dependent upon salaries. The employees' societies include associations of school teachers, a very suitable class, to whom occasional credit must be of considerable importance. Railway servants are in Italy very conspicuous alike in this and in other forms of co-operation. They are answerable for no fewer than five credit associations in Italy. The employés of the Ministry of Agriculture, Industry, and Commerce —recently split up into two distinct Departments—have formed their own co-operative credit bank, as have also the clerks of the large Bank of Naples. Lastly, the Italian "Army and Navy Stores," an establishment smaller, of course, than our own in Victoria Street, the *Unione Militare*, has introduced a system of credit which is very discreetly managed, but is found useful, mainly to junior officers, when money happens to be scarce—though the sums advanced are not generally large, never exceeding £80, lent at 4 per cent.; and the entire practice really only amounts to an equivalent to credit for purchases at the particular store.

Such societies of course stand upon a different footing from the co-operative banks thus far spoken of. For there can be no "productive" credit among employees. However, such societies form a distinct convenience. And there is no reason whatever why they should not be encour-

aged. We, in England, possess a very strong and very useful society of the sort, combined originally out of two which used to exist in separation, for employees in the Post Office and the other for Civil Servants generally. If there is no "productive" credit among employees, with fixed salaries, there are frequent occasions when an advance will avert embarrassment or effect a considerable economy. Therefore these societies, so long as they are judiciously managed, are distinctly to be welcomed.

In Italy, the country of the Pope and the Curia, one cannot be surprised at seeing the Church of Rome, always a good strategist in matters affecting her interests, studying to take advantage of the magnetic power of the useful institution, to add one more material support or bulwark to her fabric. Denominationalism is not in itself a desirable factor in banking, and it is to be doubted if a bank attracting recruits by relief offered for their material needs constitutes the best possible missionary for the Church. However, we ought to bear in mind that among purely Roman Catholic populations institutions which we should set up as generally "Christian" or "philanthropic" or "educational," are apt to assume the name of "Catholic," under the dubbing of good men to whom "Catholic" appears identical with, if not indeed superior in expressiveness to, "Christian," or generally "good." The "Catholic" banks have done not a little to popularize credit—more particularly small credit for the artisan and small farming classes—all over the kingdom. In my second edition I had still to speak of them as centred mainly in Venetia, in which province the movement began. Since then they have spread out their net all over Italy. According to the *Annuario Statistico* for 1905, which is the most recent that I have been able to obtain from headquarters, there were on December 31, 1904, sixty-eight of these banks established all over Italy —independently, of course, of the Roman Catholic village banks, which by this time number about 1,600, and to which the "Catholic" *banche*, being strong more particularly in deposits, lend very substantial assistance. "Catholic" banks muster most strongly in Lombardy, Emilia, the

Marches, Piedmont, and Venetia. But there are outliers also in Umbria, Tuscany, Apulia, Campania, Calabria, the Abruzzi, and even in Sicily. Their accepted grouping in unions is, however, not according to provinces but according to dioceses, the bishops of which in all cases stand at the head of the unions. Of course they make the best show and flourish best in well-recognized "Catholic" centres, where wealth gives them much support, and poverty seeks shelter freely under their canopy. Such banks as that of *San Paolo*—each of them has some patron saint—of Brescia, with still only 100,000 lire paid-up share capital, but by the side of it 484,088 lire reserve fund, and no less than 14,192,967 lire savings deposits (on which it allows 2¾ per cent.), and 13,987,330 lire outstanding in credits (11,562,059 lire in cash credits, and 2,425,271 lire in discounts); and again the *Banco Ambrosiano* of Milan, with its 3,000,000 lire paid-up share capital, and 15,782,911 lire savings deposits (13,942,644 lire of others) are real banking powers. The *Banca San Paolo* was, I believe, the first propagandist centre, and very active as such under its able director M. Tovini. The table published gives no number of members. But it shows that the entire sixty-eight banks had collectively 7,439,407 lire share capital, 2,423,223 lire reserve funds, 124,994,977 lire savings deposits, 46,317,912 lire other deposits, and 117,405,510 lire outstanding in loans (71,229,925 lire in cash credits, and 46,175,585 lire in discounts). The figures for savings deposits are generally rather remarkable.

One peculiar feature about these banks is the attention given to small credit, *piccolo credito*, from which about a dozen banks take their name: *Piccolo Credito Bergamasco*, *Romagnolo*, *Bussetano*, *Comasco*, and so on. This particular line of business was first taken up in the strongly "Catholic" city of Bergamo, under the leadership of Nicolò Rezzara, who possessed an extraordinary gift of effective organizing. These are by no means necessarily small banks, although they deal in small, and sometimes very small, credit. The *Piccolo Credito Bergamasco* has a share capital of 292,740 lire, with 136,311 lire reserve fund, and 7,147,923 lire savings

deposits; its outstanding credits amounted in small amounts to 5,778,838 lire. The *Piccolo Credito Romagnolo*, which has offices at Bologna, Ferrara, Faenza, and Rimini, is about equally strong. These banks do very much for small tradesmen, and are active forming village banks and constituting themselves centres of provincial "Catholic Unions," agricultural and otherwise, "Catholic bakeries," "Catholic young men's provident societies"—and "women's" ditto —"Catholic working-men's clubs, soup kitchens," and the like.

Recently the "Catholic" *banche* have, together with the *casse*, combined to a Federation, which carries out an annual inspection of banks.

Whatever be the merit of this specifically "Catholic" movement—which has aroused serious suspicions of its pursuing political objects—and of all the other detached co-operative banking, all the work done is manifestly due to the suggestive example first set by the *banche popolari*, introduced more than fifty years ago by M. Luzzatti, whom, in view of the magnificent work accomplished, and still in progress of accomplishment, I accordingly have good cause for calling, as I have done in my dedication, "the benefactor of his country."

We should now be in a position to cast up very briefly the main merits of the *banche* and to compare them with such defects as of necessity such very merits carry with them. For there is unfortunately no good quality which is not apt, by exaggeration of itself or else by neglect of some other quality essential for the balance of the institution, to generate a defect.

Nobody who has seen the best known Italian *banche popolari* has failed to remark upon the admirable management under which these banks have, generally speaking, found themselves from the beginning—the businesslike practices and the astonishing administrative resource of those who were placed at their head. A mere glance at their work must show that, as Léon Say has put it, these banks are "as skilfully organized as if the best actuaries of London and New York had given their help." Balance-

sheets, the smooth flow of business, the remarkable order prevailing throughout, all go to prove this.

The quality of the management on the whole is, indeed, eloquently attested by the remarkably small percentage of losses sustained. Losses have averaged ·22, ·27, ·33 per cent. of the lending. In 1898, which is the last year for which there are comprehensive official figures, on a business of 824,182,661 lire there were 1,119,910 lire lost. In the best banks the proportion is smaller—in the *Banca Popolare* of Bologna about 10 centesimi on every 1,000 lire lent out, say, 1*d.* on £40.

Quite evidently the business of the co-operative banks is not only sound, but among their best specimens the soundest that there is in Italy. And although their activity has at times met with a temporary check—just as in Germany—the marked difference in comparative decline between them and other banks, telling strongly in their own favour, shows that they are destined, not only to maintain themselves satisfactorily, but to renew their advance as times improve. There is no more encouraging feature about these banks than this, that one of them is never set up without calling up within very little time a family of others, clustering around it, to serve for different *clientèles*—more or less pretentious as the case may be. By the self-evidence of its advantages the business seems to propagate itself. Thus around the *Banca Popolare* of Milan have sprung up in that city alone eight other banks, as on a graduated scale; round the Bank of Bologna five; round that of Naples twenty—all of them more or less *étagées*, "ranged in tiers," suiting their requirements to their own peculiar public, and issuing shares of from 5 lire (4*s.*) up to 100 lire (£4). They push forward in their own peculiar way. A Central Bank begins by setting up *succursales*; after a time the *succursales* decide to turn themselves into independent banks; the Central Bank, without a suspicion of jealousy, readily helps them, and their business doubles and trebles. Thus province after province is taken possession of with a regularity of method, and a certainty of success, which remind one of the conquest of a country by a victorious

army. There are cases in which the unselfish parent-bank has, like a pelican, fed its offspring on its own flesh. Thus the Bank of Cremona has four *succursales*, which did not at once pay. Indeed, three of them—Soresina, Casalmaggiore, and Piedana—among them in 1890 made a loss of 6,000 lire. Nevertheless the 5,100 members composing the five establishments—holding, in all, 42,000 shares—went on working together as one body, drawing precisely the same dividend throughout. The thing would right itself in time. The old Bank of Lodi has five *succursales* and eight agencies, the Bank of Novara seven, and so on. The common feature throughout is amicable co-operation, carried out on the principle which M. Luzzatti ever presses upon his banks, namely: "*Independenti sempre, isolate mai*"—union combined with decentralization, independence, and yet general alliance.

Of course the business of these banks is affected by the fluctuations of the market, which bring flood and ebb tides. And there have been one or two catastrophes—caused by departures from accepted rules. Thus the Bank of Alessandria lent out too much money on mortgages and had in consequence to close its doors. The Bank of Genoa provided money for speculative enterprises. The Bank of Brescia (not the *Credito Agrario Bresciano*) speculated in sulphur. All three came to grief. But, generally speaking, the banks have proved remarkably safe. There have been telling figure-charts prepared by the Royal Statistical Department to show this. These charts show that there have been fewer losses, and that the movement of business has been much less disturbed by temporary incidents, such as feverish inflation and calamitous drops, than in other banks.[1] In respect of the formation of capital, the transaction of business, the avoidance of losses, co-operative banks, *as a whole*, show a steady upward movement, comparing most favourably with the zigzag lines up and down

[1] I have not here re-inserted the very telling diagram showing this prepared by the Statistical Department in Rome, because it refers to a period a little over twenty years ago. It shows the difference very strikingly. It appeared in the Second Edition.

at acute angles, recalling a mountain chart, of ordinary banks.

But unquestionably there are also some defects to be noted. Whether the want of a "popular" character, which has sometimes been imputed, ought to be set down as one such is in my opinion rather questionable. Like Schulze-Delitzsch, M. Luzzatti intended his banks as in the main middle-class organizations. He himself would not have the very poor as members in them. The *4s.* banks now working satisfactorily are of later origin, and only show that M. Luzzatti's methods are more widely applicable than possibly he himself anticipated at the outset. Poor people were indeed to be benefited, but not by membership. No doubt, accordingly, working-men are few. And very accountably so. Obviously, the demand of a share, say of 50 lire, to be paid up in ten months, is rather a heavy tax upon a wage-earner, more especially since there is an entrance fee levied in the bargain, which in some cases—for instance, in that of the *Banca Popolare* of Milan—stands for as much as 25 lire. That is the highest amount levied in such way in any Italian People's Bank. In many cases it is much smaller. Add to this that, by what I cannot help thinking an ill-judged introduction of commercialism into Co-operation, in prosperous banks the share rises in issue value in proportion to the growing reserve, by 25, 50, and 100 per cent., and no one can be surprised at finding the "poor" element rather scantily represented. In some recent statistics we have, on an average of 639 banks, 6·56 per cent. of the members classified as substantial landed proprietors, 24·12 per cent. as smaller cultivators, 4·66 per cent. as rural day labourers, 4·77 per cent. as large manufacturers and merchants, 25·25 per cent. as small tradesmen manufacturers, 18·86 per cent. as civil servants, clerks or teachers, 8·11 per cent. as factory hands, etc., and 7·67 per cent. persons as without an occupation. These proportions are pretty constant from year to year. In Cremona, which may be taken as a typical bank, with its branches, there were in 1908 out of 10,919 members, with 65,795 shares of 50 lire each (7,994 men and 2,925

women), 423 large landowners and farmers (holding 5,595 shares), 2,185 small (holding 9,911), 242 large manufacturers and traders (3,016 shares), 3,191 small (16,408 shares), 1,267 clerks, employees, schoolmasters and men and women of liberal callings (8,020 shares), 785 artisans and working men (1,630 shares), 196 day labourers (640 shares), and 2,630 without a known calling (20,575 shares). As between bank and bank, of course, the proportion varies. In the large People's Bank of Bologna, for instance, you have, out of 4,971 members, 1,842 small tradesmen, 917 small freeholders, 818 clerks and civil servants, 441 teachers, medical men, chemists, etc., and only 301 day labourers. On the other hand, in small banks like the *Banchina* and the *Cassa della Società Maschile*, you have the working-class element preponderating. But such banks are few. One very satisfactory feature observable in the figures is the rather striking increase in the number of "small agriculturists" who have become members of People's Banks. Such small cultivators figured in 1876 at only 16·80 per cent. of the sum total of members; their proportion now stands at 25·03 per cent. The proportion of rural day labourers has likewise steadily increased, though only from 3·20 to 4·37 per cent. On the other hand, the number of small traders, etc., has (proportionately) decreased from 32·15 to 24·47 per cent., and that of persons without a calling from 13·15 to 8·75 per cent. On the whole, accordingly, there has been something of an advance in the direction of greater "popularization" of the banks, though not, perhaps, at a sufficient rate of progression.

The picture presented shows even more of a middle-class hue when you come to give a turn to the kaleidoscope, so as to bring into view the proportionate *holdings* of the several interests represented. The 6·56 per cent. of substantial landowners in the banks generally held 17·95 per cent. of the shares, the 24·12 per cent. of small cultivators only 14·69 per cent., the 4·66 per cent. of rural labourers 1·80 per cent., the 4·77 per cent. of large merchants and manufacturers 14·90 per cent., the 25·25 per cent. of small tradesmen 20·86 per cent., the 8·11 per cent. of factory labourers

4·05 per cent., the 18·86 per cent. of the professional classes 15·34 per cent., and the 7·67 per cent. of persons of no occupation 10·95 per cent. There is, of course, nothing exceptionable in this; it is perfectly natural, and indeed proper, that the better-to-do should have the largest holdings.

Only, an indispensable corollary to this state of things is that dividend on shares must be strictly limited—which unfortunately in the majority of cases it is not in co-operative banks in Italy, owing to the fact that, as M. Luzzatti has explained to me, and as one can readily understand, at the outset it did not occur to any one that there might be *embarras de richesse* in the annual surpluses. The question then was whether there would be any dividend available at all. The result has shown that surplus comes in, in some cases plentifully. And, dividend not having been limited, the larger shareholders desire to receive an unduly substantial return, and, indeed, in some cases, as at Milan, their shares have come to be dealt in, at a considerable premium, on the Stock Exchange. Now this is as un-co-operative as can be. It is worse than its counterpart in Germany, where, although dividend was not limited, and comparatively large hauls were occasionally made by "dividend-hunters," at any rate there was no trafficking in shares. The necessity of limiting dividend has of late been recognized and its practice is spreading. Moreover, the more recently formed co-operative banks have also accepted the practice, of which M. Micha of Liége was the first champion on this particular ground, of distributing part of the accruing annual surplus as "dividend on business," which abroad passes by the name of "ristourne." Both practices are in strict accordance with co-operative principle and ought accordingly to be welcomed.

There can be no doubt, moreover, that, owing to the great individual freedom left to single banks, in the absence of such a Federation as exists in Germany—which, by its moral authority, compels the maintenance of a certain measure of uniform standard of quality—by the side of excellent banks there are also not a few indifferent and, indeed—especially in the South—very bad banks—bad owing either

to slovenliness in their management or else to greed of gain. In M. Luzzatti's own words, spoken at the Paris International Congress of 1889, "We have succeeded too well"—that is, financially. There has been found to be a plentiful, quite unlooked-for money gain in the "Chimera" and the "Utopia" of 1866, and not unaccountably, human nature, tending downward, with Mammonlike look at the gold pavement of the co-operative Heaven (to adopt Milton's account of the defection occurring in the Angel world), has taken advantage of this. One ought, however, not to exaggerate the abuses here set forth. There are spots in the Sun. But for all that the Sun illuminates the world. So it has been with the Luzzatti banks. However "middle class" their character may have been to begin with, their action has, in its purest condition, spread downward—more and more downward—and done an immensity of good among the poor.

Throughout Italy they have become a power for good; and if Lord Jeffrey spoke truly when he laid it down that the greatness of a nation and the happiness of its people do not depend so much upon the increase of its military strength as upon "the spread of banks and the increase of banking facilities," Italy, with her smaller army, has no need to shrink from comparison with her more powerful military neighbours with their mighty "nations in arms"—against which she has to pit her "nation in banks." Looking at all these busy, laborious hives, in which not a drop of honey is allowed to run to waste, you cannot fail to realize that they represent a great and beneficent national possession, a richly-yielding horn of plenty, and that, in M. Durand's words, "This magnificent network of institutions of popular credit, for which Italy is beholden to M. Luzzatti, may well excite the envy of Europe." "It is impossible," says M. Luzzatti, with just pride, in his presidential address of 1887, "not to acknowledge that we have delivered the small folk and the middle-classes from crushing usury, that we have assisted commerce, and, lastly, that we have helped to cultivate throughout the fruitful tree of thrift on ground which previously appeared absolutely barren."

CHAPTER XI

Offshoots of the Luzzatti System

M. Luzzatti's modifications in the German system—of which nevertheless he has never ceased to be an admirer—has had a powerful effect upon the progress of the movement as a world-movement. By eliminating features which were decidedly displeasing outside German-speaking populations, he made the Schulze-Delitzsch organization workable under other skies. Accordingly it can surprise no one to find that with more or less further modification his Italian speciality should have met with imitation in many, far apart, lands, and that even beyond the area in which it served as an actual model, his teaching should have exercised marked influence. In truth, his counsel has been sought in all countries in which Co-operative Credit has gained a foothold. And, within the wider radius, it is rather by his counsel, than as the creator of a system bodily adopted, that M. Luzzatti has influenced the movement. For the record of actual imitations is in his case a brief one.

The country in which greatest attention has been paid to M. Luzzatti's teaching is France. However, owing evidently to equally marked differences in the circumstances of the two countries, the harvest gathered in from the seed cast out has remained a poor one. No doubt the ingrained French habit of desiring to have things done for one by *l'État Providence* rather than accomplishing them oneself, is in a large measure accountable for the disappointing result. Men like the late Eugène Rostand, Père de Besse and M. Rayneri have preached their best. However, apart from the two " co-operative " banks of Mentone and Lorient —the " co-operative " character of one of which, at any

rate, is on some points open to criticism—results have been sparing.

"Popular" Credit has been a favourite subject for inquiry and experiment in France for decades back, in fact since 1837. A resolution in favour of it was enthusiastically adopted by a representative gathering (of agriculturists) in 1845. Proudhon started his "People's Bank"—which was to regenerate mankind, but lasted only a few months—in 1848. At the same time Buchez, who invented for the new French Republic its well-known motto "Liberté, Égalité, Fraternité," familiarized his countrymen with the idea of "Crédit au Travail"—"Credit to Labour"—of which Labour Sir Robert Morier later testified, by the light of Co-operative experience, that under proper arrangements it is as fit a subject for a mortgage as the broad acres of a squire.

Buchez, taking up the tale, put forward very impressively his idea of *Crédit au Travail.* "*Il faut créer le crédit au travail, comme on a créé le crédit foncier, le crédit mobilier,* etc." The Assembly, half in response to this demand, in the teeth of Thiers' violent protest against "*cette grande folie,*" voted 3,000,000 francs as working funds for national workshops. It really seemed as if among this exuberant, although heterogeneous, growth of schemes something must come up that would last.

But the *Coup d'état* dealt a serious blow to French Co-operation. The productive workshops, which had in 1849 been started with public money, were after 1851 called upon to repay their loans. They could not, of course, do so. But they could be declared bankrupt and compelled to dissolve—which was just what the Government desired.

The "sixties" brought about a change for the better. Sensible of his want of popularity, the Emperor courted it by ostensibly favouring Co-operation. Some sound little urban co-operative societies sprang up under the forcing warmth of such fleeting sunshine. However, the Emperor's desires were directed mainly towards assistance to be afforded to the country folk, whose votes tell most heavily in the elections. With a fair capital, he in 1860 formed the *Société*

du Crédit Agricole, to deal out loans on easy terms and under proper safeguards to small cultivators. The *Société* never lost a *sou* by its agricultural lending. Indeed, the agricultural borrowers surprised the official administrators by their honesty. However, there were not nearly enough of them. The red tape conditions for borrowing were so tightly drawn that very few indeed mustered courage to come to this distant and much too fine-looking establishment. By 1870 the *Société* managed to get into "correspondence" with about five hundred "cultivators," who were probably large men. Since that did not provide anything like sufficient employment for its money, it lent a huge sum, 208,000,000 francs, to the Khedive Ismail—and lost it.

Soon after, the Empress, anxious to identify her son with a good popular work, started in his name the *Fonds des Prêts de l'Enfance*. The *Fonds* collapsed.

Beluze, taking up once more Buchez' idea of a "Credit to Labour," in 1861, made it his ambition to acclimatize Schulze's creation in France, at about the same time when it was being acclimatized in Italy and Belgium. In 1863 he started an institution which has become historic—his well-known *Crédit au Travail*—a co-operative banking society, organizing *en commandite*, without shares. Such organization, he judged, would enable members to pay in an indefinite amount of cash by instalments, as they pleased, and at the same time it would protect the association against being taken possession of by a few greedy capitalist shareholders. On September 27, 1863, when the society was called together, formally to pass the rules, and legally to constitute itself, there were 172 members, subscribing among them a capital of 20,100 francs. However, only 4,082 francs was actually paid in by October 1, when the *Crédit* opened its doors for business. The *Crédit* was to collect savings and deposits, issue long-term bonds at 6 per cent. interest for terms not exceeding five years, cash and discount bills, grant loans, and all the rest of it. Its success was not very brilliant, but it *was* a success; and it is all the more to be regretted that untoward circumstances, more particularly the locking up of too much money in loans not readily recoverable—followed

up by the disastrous war which, along with the empire, swept away a good many things which were much better worth preserving—brought this particular phase of French credit co-operation to a close. While it lasted, the *Crédit au Travail* kept indisputably solvent, and did very good work. Its losses were trifling. It should be borne in mind that it was carrying on its business under a Government which, though outwardly coquetting with Co-operation, was in spirit so hostile that in the very year in which the *Crédit au Travail* first became really strong—that is, in 1867—the Emperor would not allow Schulze to come to Paris to take part in a Co-operative Congress at which he was expected as the hero of the occasion. By February, 1867, the *Crédit au Travail* had increased the number of its members to 1,500, and its capital to 250,000 francs. Its annual business exceeded 10,500,000 francs. The smaller tradesmen and manufacturers speedily learnt to appreciate the advantages which it offered, and gladly availed themselves of them. So did—unfortunately, as it happened—the productive co-operative societies, not all of them being sound. It was they who brought the institution to grief by failing to repay loans. So successful, in fact, was the *Crédit au Travail* held to be, and so much satisfying a genuine want, that similar institutions, moulded upon the same model, sprang up in considerable number in various industrial centres of the Empire—Lyons, Lille, Nîmes, Strasbourg, Colmar, Bordeaux, Mulhouse, and elsewhere—though the Paris institution itself did a great deal of provincial business. The Lyons *Crédit au Travail*, founded in April, 1865, with 50,000 francs capital subscribed in 500 franc shares, did exceedingly good business at a minimum of cost. The *Crédit au Travail* of Lille had 389 members, and a capital of 105,700 francs; the Saint Etienne *Crédit* had 292 members and 32,000 francs. In Paris, as a rival institution, the *Caisse d'Escompte des Associations Populaires* rose up, fathered by Léon Say, besides a *Caisse des Sociétés Coopératives*, both being supported by philanthropy rather than by *bonâ fide* co-operation.

But concurrently with these more or less pretentious insti-

tutions there grew up in France an entire little host of small co-operative credit associations, formed by working men for working men, in the humblest of ways, but on genuinely co-operative lines, and answering well in their own modest sphere. I will not say much of the infinitesimally small "*groupes à deux sous*" of Lyons, in which working men, never exceeding twenty, clubbed together to subscribe their penny a week in order to be able to borrow tiny sums up to 20 francs, repayable at the rate of 2 francs a month. That is not banking. But there was the *Société Mère* of Paris, with its family of children, some seventy or eighty, in and around Paris, plenty more in the provinces—in Lille, and Saint Etienne, and Valence, and Lyons, and other places—the *Sociétés du Crédit Mutuel*. They were all small, modest, in their way obscure. They had from twenty-five to fifty members each, meeting once a week or once a month in a private workshop, administering their own funds, doing their own work gratuitously. The same man would sometimes be president, cashier, and secretary all in one. In the year 1866 France possessed no less than about 300 such modest societies, all doing well, all supplying in a humble way a real want, readily and easily, at small cost to any one. They levied their weekly or monthly subscriptions, of from 50 centimes to 5 francs, and dealt with the money so provided—not exactly cheaply for borrowers, for they charged interest at the rate of from 6 to 10 per cent.—but beneficially. None of them disposed of large funds. The richest held a capital of 31,712 francs, with 750 francs of reserve, in all £1,300. The majority had very much less. Yet they did a large amount of lending, and lost almost literally nothing. The *Société Mère* had in 1866 lent out 252,223 francs and lost only 5 francs. One of the most pretentious societies of this sort, established in the Faubourg Saint Antoine, had in six years' business, upon loans which amounted to about 6,000,000 francs, only two small losses to record. It was the very humility of the thing, the lively sense of responsibility, the rigour of "self-help," which made these small societies flourish and answer their purpose, while the millionaire enterprises of an emperor, of republics, and of

capitalist associations failed. " The smallness of the losses," reports Sir Edwin Egerton in our Blue-Book, " proceeded from the members being well acquainted with each other ; for the societies were small though numerous. . . . Their main strength was in the mutual confidence from *mutual knowledge of each other of their members.*"

All this useful work was put a stop to by the war of 1870, which, entered into " with a light heart," ended by leaving millions of very heavy ones, tearing associations asunder, breaking up circles and federations, and replacing union by isolation. It is a thousand pities that the good work of these little societies was not taken up afresh when times changed for the better. But by that time Frenchmen had forgotten the things that were behind, and were reaching forward to others which were before, more ambitious, and, may be, destined to become more useful.

Thus ended the early beginnings. A new day was, however, to, dawn, as M. Luzzatti's teaching sounded across the frontier. Francesco Viganò, reputed the " father " of Italian Co-operation, made an attempt to acclimatize Italian Co-operative Credit at Antibes. He had first thought of Cannes, but found the Cannes people too unsympathetic. The people of Antibes received, like the stony ground of the parable, the Italian message gladly and produced some promising early results. But in time of trial they fell away and the bank had to close its doors.

The first seed of a new crop, wafted across from the fruitful soil cultivated by M. Luzzatti, took root and ripened under the forcing sun of the Mediterranean littoral. The French Riviera had worn the blue tricolour instead of the green for thirty-six years, but the character of its population was not essentially changed, when Providence selected it, no doubt in virtue of inherited aptness and old links with Italy, for the birthplace of an economic movement new to France, and destined to become of considerable benefit, repaying in course of time the debt which it owed to Italian example by sending an offshoot back across the frontier to become a new centre of propaganda at Bordighera.

A start was made at Mentone. Whatever French annexa-

tion may have done for that little settlement, its occupation by the English has certainly made a more prosperous place of it. It used to be a quiet country town, living upon the produce of the surrounding olive gardens, lemon groves, and flower beds. The advent of English visitors put new life into the place, and practically turned nearly every one among the 9,000 population into a speculator, building hotels and houses for visitors to live in, and laying out terraces and roads and gardens, for which nothing but credit could provide the funds. In 1882, one of the six joint-stock banks existing in the town, having lent out its money too recklessly, failed with 2,000,000 francs of deficit. The little community found itself thrown into a state of consternation. Nobody knew whom to trust, or to whom to turn for credit. M. Palmaro and a few more of the older residents kept cool heads upon their shoulders, and at once summoned a town's meeting to consider the condition of affairs. A proposal was made to form a People's Bank, after the example of the Italian *banche popolari*. It was agreed that the thing should be done, if 20,000 francs was subscribed. People had learnt so painful a lesson of joint-stock banking that every one jumped at the proposal. By February 18, 1883, 150,000 francs was subscribed. According to the resolutions adopted, only 100,000 francs could be allotted. On April 9 accordingly the new bank opened its office doors, in the most modest of ways. Its office was a little room, taken at a half-yearly rent of 200 francs. The furniture was of the scantiest and the cheapest. The management expenses were kept down to 625 francs a month. But the bank buckled to its work in good workmanlike style, and, to create confidence, posted its balance-sheet outside its door every evening. Before the year was out business had assumed such considerable proportions that it became necessary to double the capital. At the present time the capital of the bank stands at 591,700 francs, held by 982 members in 100 francs shares, on which now a premium is charged, with 204,454 francs of reserve fund laid up; in spite of very keen competition forced upon the bank by Joint-Stock Banks, the annual business figures at 81,689,091

francs, which is nearly double what it was in 1896. It maintains branches at Monte Carlo and Beaulieu, and has just established a third at Bordighera. It grants credit in a variety of ways. The method most lately added is cash credit, which, with an annual business of nearly 17,000,000 francs, has already in magnitude surpassed the old-fashioned credit on securities. In addition to promoting provident institutions of various kinds, the bank actively studies instruction in thrift, so as to teach Frenchmen to become the guardians of their own savings. On June 30, 1909, the savings deposits in its charge amounted to 306,115 francs. Not content with becoming virtually the *Caisse régionale* of agricultural banks of its department, under the Ministry of Agriculture—supplying both the office and the executive officers for such *Caisse*—it has gathered around itself the majority of the other co-operative banks in the department, of both the Luzzatti and the adapted Raiffeisen type, in a *Groupe départemental*, which has become a union of inspection and propaganda, as well as of discussion and comparing of notes, representing a membership of about 2,750, and banks doing an annual business of 92,500,000 francs, with 42,008,307 francs annually dealt out in advances.

There can be no doubt that the bank has been amply successful—successful in a way that ought to be highly interesting to us, with our convenient banker's credit from ordinary banks practically gone.

It is solvent ; it keeps growing ; it enjoys the confidence of its customers and the banking world ; it has become an example in France for other banks to imitate. It is also co-operative. Its customers are for the most part its shareholders. It studies "service" as well as "business," dealing with the small men on the same terms as with the wealthy ; avoiding risk ; limiting its dividend to shareholders, and sharing profits—with its employees. It also renders very useful service to the co-operative banking movement in training managers for smaller banks as a regular practice in its office. Nevertheless there is something about it which seems, to our British minds, a little against it. The working-class element is only very sparingly

represented upon its members' roll. By the side of sixty-one hotel-keepers—we know what Mentone hotels are—fifty-one *entrepreneurs*, thirty-five grocers, and 109 general traders, there are among its 975 members (according to the report for 1909) only very few artisans and working-men. And on my inquiries in the town, some years ago, I found that among small folk there was some prejudice against the bank. It was thought to be too "mighty fine" for them. It seemed intended for *des messieurs*. There were the wealthy hotel-keepers coming to deposit their *bordereaux*, the *entrepreneurs*, and all that class of people; and, in addition, faultlessly clothed foreigners. For there are notices up in the bank, printed in four different languages, stating that "circular notes are cashed and foreign money is exchanged here." Linen blouses and broad-cloth frock-coats do not willingly rub shoulders even in republican France. However, the supposition that the small men would meet with less attention than the wealthy, that the former would be treated differently in the general meeting or on the committee than the latter, and that a large stake in shares is demanded of members, is of course completely unfounded. It also deserves to be borne in mind that the bank was originally formed by middle-class people for middle-class purposes. It was to replace the old collapsed private bank on a safer basis. And that it has done, while adding at the same time the "popular" side of banking, by which small folk benefit, whereas such service was entirely denied to them previously. Therefore on such score no fault whatever is to be found with the Bank of Mentone.

Whatever be thought of the Bank of Mentone's "popular" character, in the development of French co-operative banking that bank occupies a very distinguished position. In general, it has become the French standard institution of its kind. Whatever other co-operative banks exist in France are formed in imitation of it.

The one other bank among such calling for mention is that of Lorient, which unfortunately at the present moment, as an effect of the war—which has, of course, following upon the

" sardine famine," badly disorganized the fishing industry, among others—presents itself under adverse conditions, but which seems a good bank all the same, of a decidedly popular character.

The Co-operative Bank of Lorient was formed in 1898,the occasion for its formation being the removal of the one only banker who had carried on business in that active seaport town with about 45,000 inhabitants. This bank is modelled upon that of Mentone, but its business is of an essentially different type, owing to the difference of environment. It acts mostly for the preservers of articles of food, such as sardines, and the seafaring population of the two departments of Morbihan and Finisterre. At the close of 1908 the number of its shareholders amounted to 701, holding among them 1,000,000 francs in 10 franc shares, issued, in consideration of 142,868 francs reserve funds accumulated, at 2.50 francs premium. The entire turnover amounted in 1908 to 97,646,038 francs. There had been nearly 43,000,000 francs advanced in discounts, 1,036,033 francs in cash credits, 381,518 francs otherwise. The dividend paid on shares was 5 per cent.

Pre-war France, then, makes little of a show in respect of Co-operative Banking on the industrial side, although the need of such is pretty generally admitted. Whether the cause of such failure to act in the matter is, as M. Luzzatti opines, the *furia francese*, which in its impatience to see great results spurns small beginnings, or, as I hold, the lamentable want of private initiative, which fixes its eyes longingly upon the *État Providence*, as the young Frenchman in search of a calling turns instinctively to *fonctionarisme*, the result is in all cases to be deplored.

It may be hoped that the new light now set up in reconquered, industrially and agriculturally busy Lorraine, may bring about a change for the better. The *Crédit Coopératif Lorrain*, of Metz, formed in 1892, racially rather under French than German management, decidedly deserves a word of mention here and also deserves to be taken as a model in backward France. In its original conception its founders appear to have looked rather to Berlin for a

lead than to Rome. But in its practice it altogether resembles the *Banche Popolari* of Italy. Like them it has thrown over German unlimited liability, although it has retained the German large shares of £10, with 5*s*. entrance fee levied with them. The shares may be paid up very leisurely, at the rate of 3*s*. a month. In all other respects Italian methods have been adhered to. The management is entrusted, not to three members, but to six, with the addition of the two salaried officers as fully equal colleagues; and the inspecting body consists of only three *reviseurs*. Excellently managed—more particularly thanks to the happy choice of M. Prével as managing director—the bank has amply justified its existence, rendering very substantial financial help alike to trade, industry and agriculture. For its members' roll in 1908 included 586 small cultivators. It began in 1892 with only ninety members and £7,000 share capital. At the close of 1908 it numbered 539 members, with collectively £185,385 paid-up share capital, and £35,222 reserve funds. Its turnover in 1907 amounted to £8,700,000, and in 1908 (under the effects of a financial crisis) to £7,700,000, leaving a net profit of £14,150 in the former year, and of £13,571 in the latter year. It is a thorough "people's" bank. Half its advances are under £50. And in 1908 only 85 out of 2,267 exceeded £300. One rather remarkable feature about the bank is that, although the management deliberately does not favour cash credits—for the same reason that London bankers will not have overdrafts, namely, because they lock up capital—yet by far the largest amount of business done comes under that description. This is a testimony to the utility of overdrafts.

Every little Co-operative Credit on the share basis existing in Spain owes its origin rather to the example of M. Luzzatti than to the teaching of Schulze-Delitzsch. It seems due to the brilliant example which M. Luzzatti set in Italy, that Co-operative Credit organizations supposed to be of his type have found their way into such distant parts as South America. But I am afraid that M. Luzzatti would scarcely care to recognize the adaptations produced as true

copies. In Argentina a move was made a considerable time ago. Argentina possesses a law authorizing the formation of co-operative societies of all sorts and forms since 1889, which law allows societies ample liberty in the choice of the form of liability which they may decide to select: limited, unlimited, or what is known as *en commandite*. The Government, after the manner of all non-British Governments, distinctly favours agricultural co-operative societies, assisting them with both money and privileges. Credit does not appear to have developed much—although some building societies, formed after the British model, seem to be doing well. In 1914 there were reported to be sixty credit societies upon the register, only thirty-four of which, however, were actually at work. And of those thirty-four only twenty-two had sent in returns, declaring share capitals collectively of 844,230 pesetas, and a membership of 5,494. The collective business had in 1912–13 amounted to 98,557 pesetas. Uruguay possesses a law authorizing the formation of co-operative societies only since 1912. Some beginnings have been made in business with credit. But the societies formed are so much begrandmothered by the Government, that they scarcely deserve a place here. And evidently the number of societies is not yet large, nor does their business amount to much.

There is not much worth mentioning beyond. *Soi-disant* Credit Societies on the Luzzatti model exist both in Roumania and in Serbia. But they are neither "Luzzatti" nor at all "Co-operative." Nothing better is to be said of the few societies which Omar Lutfi has formed in Egypt, avowedly on the Luzzatti model. Their business—which appears to prosper under this head—is less that of credit than of distribution. The handful of "People's Banks" which Mr. Alphonse Desjardins has organized in Canada—leading with his own little society at Lévis, which is a suburb of Quebec—have sometimes been ranked as Luzzatti societies. I advisedly recommended Mr. Desjardins to take M. Luzzatti's banks for his model and referred him to their founder. However, the societies, after giving good promise, have developed as nothing more pretentious than local societies.

The absence of power—refused to them both by the Dominion Parliament and by their own Provincial Legislature—to take deposits from non-members, stands hopelessly in the way of their becoming anything more until further powers are granted. But they are doing well in their way. According to advices received while these sheets are passing through the press, there are now nearly two hundred of them, with collectively more than 4,000,000 dollars working funds, and an annual turnover of more than 15,000,000 dollars. One may, accordingly, hope for more ambitious development, Seeing how urgently working capital is required for Agriculture in the Dominion,—as the bankers of the western provinces have admitted by offering special facilities in a non-co-operative way—it is to be regretted that a bar against the introduction of Co-operative Credit should so needlessly remain placed in the way.

Generally speaking, seeing how readily M. Luzzatti's system adapts itself to all business methods except the German, it appears to me that it distinctly has a future before it and is likely to become the standard type of co-operative limited liability banking.

CHAPTER XII

Raiffeisen Offshoots

The Raiffeisen system has quite naturally proved far more prolific in the production of offshoots than that of Schulze-Delitzsch—more prolific not only in respect of numbers, but also of variety. Its productiveness with regard to numbers is readily accounted for by the fact that it appeals—still appeals, but at the time of its creation certainly appealed with constrainingly stimulating force—to a large number of persons, standing probably in more urgent need of easy Credit than those for whom Schulze so successfully wrought. Agriculture was backward and had been starved. New methods to render it more productive were crowding in upon the scene. In Germany Liebig was preaching "mineral" theory, and Stöckhardt "nitrogen." The burden of both preachings was "more manure"—which costs money—coupled with improved cultivation, which is likewise not to be had for nothing. Similar preachings were going on in France, where Boussingault was the monitor. Small husbandry was making its claims felt. For the liberation of peasant holdings which were the dominating feature of German rural economy, was in Germany only a few decades old, and had during those few decades fallen all but ruinously under usurers' domination. Accordingly easy credit for the small husbandman was an absolutely crying want.

As regards variety, the very conception of the Raiffeisen system invited such. Schulze organized avowedly for business purposes, with a financial aim in view. Raiffeisen was keen upon business, but keener still upon ideal attain-

ments, the raising of the man, the extension of the sway of moral laws, the production of communities as of settlements of brethren. Emphasize one of those several objects unduly and you at once produce a different system—different, essentially different in character, however similar it may remain in form. And there have, in fact, been violent twistings this way and that.

The first, unowned, offshoot of the parent plant—which plant soon came, in Dr. Havenstein's words, to be considered "common property,"[1] so readily was it taken up—was the "Peasants' Unions" (*Bauernvereine*) of Germany. I cannot quite account for the fact that those very useful and at the same time powerful and racy organizations should have met with so very little recognition in this country—except it be that Englishmen, inquiring into such matters, even officially, are so engrossed upon the *business* aspect of things, that they instinctively ignore those organizations which aim at other points as well. The restriction of attention to the pure "business" aspect in these matters has a good deal to answer for in our co-operative backwardness. We are habitually "after" £ s. d. The "Peasants' Unions" are so distinctly a replica of the Raiffeisen societies, or rather of provincial Raiffeisen Unions, that, as has been already observed, officers of the one and of the other freely exchange places, in one Union or the other, as the spirit may move them—for, *more Germanico*, there have been frequent outbursts of envy, hatred and malice between the two—finding their work all ready cut out for them on the accustomed lines, when dropping into their new places. The one difference is that the Peasants' Unions more markedly emphasize the religious ideal in a distinctly denominational

[1] Dr. Havenstein's own Society, the Agricultural Association for Rhineland, a most active body, which, acting on purely business lines, in the nineties joined itself to the then nascent Haas Union, by formal resolution pledged itself to the support and the promotion of the extension of the Raiffeisen system as long ago as in 1868. This accounts for the selection, in 1874, of two Professors of the University of Bonn, Messrs. Held and Nasse, to serve, together with Herr Siemens, the promoter of beetroot sugar making as an agricultural pursuit in Germany, on the Royal Commission of Inquiry into the Raiffeisen system.

shape, whereas the Raiffeisen societies reck not of denominational differences, so long as there is respect for God and good morals. The Church or Chapel is their friend, but not their master. In taking up this distinctly denominational line—which within their nexus gives the prominence to the Church of Rome—the Peasants' Unions have become the mother of a whole family of similar organizations in other countries. The Belgian *Boerenbond* is their direct offspring. So is the *Boerenbond* of the Netherlands. And, although Louis Durand, in France, derived his inspiration—just the same as did Dr. Wollemborg in Italy—directly from Raiffeisen in Neuwied, it was the Belgian *Boerenbond*, and its founder Abbé Mellaerts, who first directed his attention to the subject. The early French and Belgian " syndicates " were likewise suggested by the Peasants' Unions and very distinctly took their denominational cue from them, magnifying the dominion of presbytery patronage. And no doubt there are more imitations on a smaller scale.

Peasants are in Germany a class very much praised up—one feels inclined to say " soft sawdered "—and very much made of. They have had their rough fits. There have been " peasants' wars " and *rustaud* risings. But as a rule peasants are easily led and very amenable to patronage, which " keeps them in their proper stations." Of course, economically and socially speaking their importance is undeniable and great—especially since by acquiring their freeholds they have in a sense become their own masters—and voters at the poll. They are in Germany known as " der Nährstand " (the class of nourishers), sharing honours with " der Wehrstand " (the fighting class) and " der Lehrstand " (the teaching class). And on their wellbeing the welfare of the country and " social peace " may be said to depend. For revolution was considered impossible while the peasantry were satisfied and amenable to leading. Such considerations doubtless helped to determine highborn Magnates, more particularly in the predominatingly Roman Catholic provinces of Rhineland, Westphalia and Silesia, to take up the cause of the peasantry, commending themselves as leaders by rhetoric which made the peasants

adhering to feel their own social importance. There was an echo on the Protestant side, but confined to a smaller sphere.

However, leaving their denominational colouring out of account, the Peasants' Unions have done a great deal for the German peasantry. It was a well-known Roman Catholic territorial magnate of Westphalia, Herr von Schorlemer Alst, who formed the first Peasants' Association in 1862 in his own province, and advisedly dubbed it "Christian" and "educational." He forced the rule upon it that only "peasants" should be eligible as ordinary members. From Westphalia the institution spread into Rhineland, where there are now several unions acting side by side; next into Baden, Bavaria, Ermland, Silesia, and finally into Luxemburg, which is, of course, German in character though not forming part of the German Empire, and very anti-German in sentiment, as appears from the popular cry: *Mer welle bleibe was mer sind.*" The different unions vary very much in size. The largest, in Silesia, numbers about 120,000 members, the smallest, that of Alsace-Lorraine, about 1,000. The majority are Roman Catholic in profession. Whether "Catholic" or Lutheran, the stamp of religion is strongly impressed upon them all. Up to a short time ago the unions worked, each in its own district, without any connecting link. Lately they have joined together to form a "Christian German Union of Peasants' Associations." One of the most active of these unions is that of Trêves, the "Catholic" character of which is very pronounced, and which for some time has had its own Central Bank.

Practical considerations have within the past fifteen years led the Peasants' Unions to enter into a business arrangement with the most powerful agricultural co-operative organization in Germany, the *Reichsverband*, for joint business in the matter of sale and purchase, which was no doubt a judicious step.

While on the one hand devout religionists like Count Loë, Professor Francotte, Abbé Mellaerts and Louis Durand laid greatest stress upon the religious side of Raiffeisen co-opera-

tive organization, there were others who fixed their attention and their affections exclusively upon its material profitableness. In this world of "dollar" rule there is scarcely any cause to be surprised at such a result:

"*In terra nummus rex est hoc tempore summus.*"

It is this striving for material success, regardless of ideal aims which has inspired that "Co-operation" in the United States of which we now hear so much and which the huge numbers and sums coming into account in it make so imposing. Most of our British co-operators however will not allow that to rank as genuine "Co-operation," seeing that it is in fact only "Joint-Stock" or "Joint-Effort" Commercialism, most effective in itself as a money-making machine, but in its "profiteering" missing the more valuable points which true "Co-operation" accepts as its goal. Among the "adaptations" of the Raiffeisen system specifically for business purposes the great German Union, which of late has dubbed itself the "Imperial Union" (*Reichsverband*) and which was brought together to a great extent by means of Government-promoted amalgamations by Dr. Haas, stands *facile princeps*, by reason of its magnitude and the marked favour which it has since 1895 enjoyed on the part of the German Government.

Dr. Haas was originally a faithful and active fellow-worker with, and under, Raiffeisen. However, he was for "business." Raiffeisen was so likewise. But he placed ideal objects even before good profits. Here was an occasion for difference. Raiffeisen's angularities and rather arbitrary manner widened the breach. And eventually Haas set up for himself, zealous for Co-operation, but for Co-operation as a promoter of business, a money maker, and a money maker without regard for the poverty of the people to be helped. M. Luzzatti's "*aspirare a discendere*" had no siren's note for him. In his secession from Raiffeisen Haas carried several good workers with him, among them Dr. von Langsdorff, subsequently head of the Agricultural Department in the kingdom of Saxony. However, for a considerable time Haas' movement dragged along feebly and heavily, being confined almost entirely to his own little grandduchy

of Hesse. In 1883 he succeeded in starting a little Union of a handful of supply societies. And in 1895 I still found him, at his modest headquarters at Offenbach, operating on a very humble scale. That very year, however, it was which brought about a striking change in the fortunes of his movement. The Emperor William greatly needed the support of the country party with all its docile peasant adherents. He had resolved upon the warlike policy which burst into sanguinary blossom in 1914. To pursue it he needed support in the country. The working classes were against him because of his declared "anti-subversive" policy and the ludicrous fiasco of the Berlin Labour Conference of 1890. The industrial classes were smarting under the effect of the ultraprotectionist policy which had brought Germany within an ace of starving point in 1894, owing to a rupture with Russia, to which the country looked for its rye. The junkers, otherwise the "bodyguard" of the militarist throne, had their noses badly out of joint over the cessation of that same policy by the agreement concluded with Russia, which Emperor William himself had described as "the saving deed," and were sulking rather demonstratively. However, what dissatisfaction concession to Russia has caused in them, concession to themselves might cure. After the war I may speak plainly of these things, which in 1910 I should have been imprudent to do more than hint at. The Emperor then made it his aim to gain over the rural population, headed by the junkers,—that is, rendered into English, the militarist squires—whatever might be the price. He went down to the great Agricultural Society to declare that it was his "firm will" that in respect of food Germany should be made self-supporting. That, of course, meant good prices for agricultural produce and served as a rousing gathering call to all the large landed proprietors. Acting with characteristic promptitude the Emperor decreed at once the formation of a great State endowed Central Bank to provide the funds required for setting Agriculture upon its legs—a Bank to be endowed gradually with £3,750,000 of our money. He furthermore directed provincial "Chambers of Agriculture" to be constituted, which Chambers

barring the political purposes to which they were to be put being officered by junkers and their allies, have proved themselves most useful institutions, veritable "gold" figuratively speaking, by the side of the correspondingly British electro. And he provided for many other facilities—cheap railway fares, separation of the "manors" from the "parish," which meant cheaper rating for the squire—a liberal counterpart to our "whisky money"—and plenty more.

However, the giving of all this alone was not enough. There must be means of distribution also. And "organization" necessarily means in form "Co-operation." To organize Agriculture on the desired grand scale there was no one else available, and there was also no better man to be found than Wilhelm Haas. A man of fine presence, good parts, more particularly excellent organizing talent, and distinct capacity—he has been Speaker of the little Diet at Darmstadt and was offered a post as Minister of State in Hesse—he seemed specially cut out for the part which it was now intended that he should fill. His own "Union" was then still small and unimportant. But there were other organizations already in existence which might under Government influence be induced to range themselves under it. One such organization was that of Rhineland, very good of its kind, which had formally declared in favour of Co-operation of the Raiffeisen type as long ago as in 1868. There was another in Saxony—where Dr. von Langsdorff became practically Minister of Agriculture. The Raiffeisen system had no patent right attaching to its organization. Any one was free to adopt it. It is from that time forward that the Haas Union grew—rapidly and mightily. The Government helped it all that it could, showering distinctions, favours, decorations, titles upon it and its leaders. Unions had formed in various states and provinces. They were all, one by one, called upon to join hands with Haas. And so his Union grew to be the largest in Germany, numbering at the present time about 20,000 societies (of all sorts) with probably about two million members.

In what way the Union so enlarged was turned to account for political purposes, for inciting to hatred of England and

France and promoting submissive loyalty to the Emperor William, I have shown in the last edition of this book. It is scarcely necessary now to reproduce the anti-English and anti-French doggerel with which, accompanied by "deafening cheers," the twenty-five years' Jubilee Congress of the Union was regaled at Mayence in 1908, under the chairmanship of a German grandduke, the son of our Princess Alice. "Let John Bull and the Frenchman go green with envy at our prosperity," so in substance ran the verse which elicited the "deafening cheers"; "we have William of Hohenzollern to send them to the right about." The whole thing was a political device, a shameless game of bribery with the country's money, to secure support for a policy of the most infamous war disgracing the pages of history. And that game was systematically played for twenty years with every pretence of being intended for the public good, with its praises blared about by official trumpets into all the world.

You cannot well compare Haas' system—if you will call it a system—with that of Raiffeisen. Richly assisted with Government aid, it has proved brilliantly successful in a material sense, in some ways it has undoubtedly benefited agriculturists—mainly large ones. It has also rendered distinct service to Agriculture. But it has done little to raise the humbler population and nothing to breed a sense of brotherhood and common humanity in them. It has, in truth, helped the small man only very little. It can indeed scarcely be called a system. For it allows free play to any "system" that chooses to join it. On my first visit to Offenbach I found an excellent little rural credit society by the side of a wretchedly bad one, within an easy walk of headquarters. They were close together. When I pointed out the marked difference between them to Herr Haas' second-in-command, Herr Ihtig, he helplessly shrugged his shoulders. It is the same now. There is good and bad, very good and very bad, side by side. The object pursued is to produce *bulk*, to bring the *maximum* number of members and societies together, allowing every one of them full freedom to deal as they may think best. Now for purposes

of common purchase and sale, and services specifically attaching to these branches of Co-operation, that is quite sufficient and indeed it is excellent. You *want* bulk. "Principle," on the other hand, is in these applications exceedingly simple and adaptable. "Bulk" is the great secret of success. And under the distinctive organization adopted in the Haas Union, which judiciously combines centralization, for the purpose of creating force, with decentralization, for the purpose of adapting every method employed to its own particular surroundings, admirable results have been achieved. The Haas Union has, for reasons already explained, never been as strongly centralized as is still, though with some relaxation effected, the Raiffeisen Union. Raiffeisen's object was to make *principle* prevail. Haas' object was to get *numbers* together, which was best done by leaving the local sections a considerable amount of, almost complete, freedom. It would be idle to talk of Haas' "principles" beyond that, as has already been shown. He began his independent course by abjuring ideal objects; in 1905 he re-adopted them diplomatically—only to drop them once more in 1912. In 1883 he solemnly vowed, at a public congress, in words reminding one of Rouher's famous "Never," that "never" would he accept State aid; in 1895 he bound himself hand and foot to State aid as his main support. In 1883 he demonstratively announced his adoption of Schulze's principles; in 1903 he as demonstratively repudiated them. But for his own purposes no policy could be better than that which he actually followed, namely, that of what we know as "Federation," allowing each section in his Union to pursue its own policy in full autonomy. That greatly stimulated local zeal. It brought out local talent. And such talent—talent for organization and management—has been forthcoming of high quality and in large quantity.

For purposes of Distribution, Production and Sale such policy is exceedingly useful. However, when we come to Credit, the aspect of affairs becomes essentially changed. For in Co-operative Credit, although bulk counts for a great deal, principle, the study of safety, and under certain

aspects uniformity, identity of principle, count for more. It will have to be borne in mind that Co-operative Banking —the acting parties in which are not substantial business men, but for the most part people who stake their character rather than their money—is a different thing altogether from ordinary banking, for the prosecution of which there is practically speaking one common, well understood rule. In the Raiffeisen societies allowance is made for such difference. There is one principle pervading the whole mass of that banking, one rather rigid inspection supervising all. Departures from specifically co-operative into general banking, such as the granting of cash credits running from year to year, are permitted only under special circumstances, which may appear to justify it. There can be no laxity. Where there have been mishaps, those mishaps have been —as I think has been shown—due to other causes to disregard it rather than regard for accepted principle. It has also been pointed out that the oneness maintained admits of the cheaper credit obtainable in some districts being turned to account for the benefit of other districts, in which credit is habitually dearer. Under the Haas separation of credit banking into independent sections the safeguard just indicated comes to be removed. There is excellent credit banking under that organization. You could trust sections presided over by gentlemen like Dr. Havenstein, Herr Rabe or Herr Johannsen implicitly. However, their banking is not Haas banking, but Havenstein, Rabe or Johannsen banking. There are no collapses in it. By the side of the good banking there has, however, been banking which must be pronounced unsafe. The great collapse of 1912 occurred under Herr Haas' own nose. It led to the great co-operative bank crash already referred to, which filled Germany with alarm. The official inquiry held and the proceedings in the law courts, implicating the Managing Director of the Haas Central Bank, have made the causes of that crash perfectly clear. No specious special pleading by Secretaries of the Union will clear that explanation away. There was laxity, disregard of safeguards, recklessness caused by carelessness and a desire to make things easy to the granters

of credit, allowing borrowers cash credits for the avowed reason of saving oneself trouble, instead of carefully inquiring into the object of every loan asked for, and watching over it, as the Raiffeisen principle demands. There was excess of confidence engendered, carried sometimes to the point of fatuousness, by that demoralizing habitual reliance upon State aid, by means of the State-endowed Central Bank. Such relation is bound to breed questionable finance. It may be objected that the Schulze-Delitzsch and Raiffeisen societies both have likewise a powerful bank at their back to rely on for excess needs. However, the difference between the two cases appears to me sufficiently marked. It is one thing, after having by good businesslike conduct, when relying upon one's own resources, established a *primâ facie* title to reasonable credit on pure business lines to obtain the same ; and quite another to *start* with a Fortunatus' purse placed at one's disposal, on which one is actually invited to draw, with an admonition to operate freely, in order that the country may be covered with banks—a *takavi* business on a gigantically magnified scale. The Prussian Government, knowing what it was out for, has not stinted means. The avowed maxim of the Minister of Finance of the time, Dr. Miquel, in such matters was, in his own words, "*wenn schon, denn schon*"—once we do a thing at all, let us do it handsomely. Having struggled on feebly till 1895, from that point forward the Haas organization advanced by leaps and bounds, annexing, under Government pressure, other organizations, one after the other—and the result is to be seen in the obsequious support given, which made rural Germany, so bribed, readily accept the Emperor's war policy. On political grounds it did its work well and yielded a full return for the support received. Co-operatively, it has organized an admirable system of supply and sale, dairying and other agricultural work, from which we have very much to learn. In respect of Credit, it has, just because what it aimed at was not the best that could be organized, but mainly extensive support, taken liberties with co-operative principles, which could not fail to impair its safety and so produced results very unequal and patchy.

like the figs in Jeremiah's basket, " those good very good " and the others very bad indeed. The good are those which began on their own resources, like those in Rhineland ; the indifferent those which were forced by rapid vegetation in the State-subsidized hot-house. One corrupting liberty so taken calling for passing mention is the toleration—which has rather dazzled one of our official reporters on the subject—of limited liability under what professes to be the Raiffeisen system. Herr Haas himself has admitted to me, that that was done, against his own better judgment, to avoid deterring large land-owners in the two provinces in which it is permitted—Pomerania and Prussian Saxony—from taking a patronizing interest in the movement, thereby in truth aggravating the evils already produced by State patronage by grafting other patronage upon it. We have had the same solicitude for their own one-sided interest exhibited by " big men " in this country. However, the method adopted in Germany is without practical value as a precedent elsewhere, because nowhere else is there either so minute a record kept of incomes or supposed incomes—even below the nominally taxable limit of £45 p.a.—upon which under limited liability the limitation of Credit is based, or would there be the same easy access allowed to such records.

In truth you cannot well compare Haas Co-operation with Raiffeisen. A single visit to the annual meetings of the two Unions conclusively proclaims the essential difference between the two. Politics apart—which politics stand for a great deal—Haas Co-operation is Co-operation for the large farmer, more specifically the Squire, whom we know as *junker*, with the peasant allowed to eat of the crumbs which fall from the rich man's table. At its gatherings you meet Counts and Princes, Presidents and Prussian Excellencies, the whole assembly in elegant clothing and the dinner a gorgeous banquet with choice wines ! The Raiffeisen Union is a Union for the peasantry, who have to be, not enriched only, but raised and drawn together. At their gatherings you find the majority of those present in peasants' attire, speaking peasants' language. And banquet there is none. Plain

meats are taken at deal tables, with a glass of beer or a *schoppen* of " kutcher " to wash it down. Both movements have done good—undoubtedly. But the good of the one is an essentially different good from that of the other.

There are some more adaptations of the Raiffeisen system to be met with in Germany. However, there is nothing to be seen there in their practice which would warrant particular mention here. There is the strict and the lax, the self-reliant and the State-aided, the political and the non-political, the denominational and the non-denominational, the officially advertised and the patiently industrious, true to principle but officially ignored, not seeking favours and not rendering Government service, relying upon its own good work to procure it adherents.

Outside Germany and Austria the Raiffeisen system has found favour in many countries. The Slav nations have generally adopted it with eagerness. The Italians have adapted it to a system of their own, important enough to call for separate discussion. The Belgians and Dutch have accepted it with gladness, even outside their *Boerenbonds* and found it an excellent aid. The Swiss are endeavouring to turn it to account. Spaniards, Portuguese, even the citizens of far distant Mexico have their beginnings of imitative action, and the Philippine islanders have recently—by an adverse vote of their Senate—narrowly missed the opportunity of benefiting by it. India is all alive with it and offshoots are to be found in Mauritius and the Dutch East Indies.

To a not inconsiderable extent in its foreign adaptations the system has been tinged with a distinctly denominational hue. So it is in Belgium, in the Netherlands, in France, in Switzerland.

In Belgium it was Abbé Melaerts, the parish priest of Rillaer, who first introduced the system, taking the German Peasants' Unions for his model, because it was distinctly peasants whom he desired to benefit by it. There is close touch between the strictly Roman Catholic Prussian provinces of Rhineland and Westphalia and equally Roman Catholic Belgium, and a decided affinity of thought and of habits, and the fame of Counts Hoensbroech's and Loë's

Peasants' Unions, travelled across the border. What without doubt added edge to the Abbé's eagerness to bring the assistance of a co-operative purse and power to his co-religionist fellow-citizens was the rapid and to him ominous and alarming spread of Socialism, which under Anseele and Serwy had made Co-operation distinctly its own as a convenient tool to work with in industrial centres, with which, in the "Little England of the Continent," it teems. It is something of a feather in the Abbé's cap that even so pronounced an antidenominationalist as M. Luzzatti should have expressed his particular appreciation and approval of the means adopted by Belgian Roman Catholics to stem the rushing tide of revolutionary Socialism and bar to it access to country districts. Roman Catholic Denominationalism is indeed written large upon the entire Raiffeisen organization in Belgium—as also upon that of its replica. the Dutch *Boerenbond*. The Church is in it everything. The parish priest has an inherent right to become a member of the Managing Committee. Should he decline, he may name a substitute. And though he decline once, his right to claim his seat remains unaffected. As a member of the Committee he is the "guild's" "Almoner" and "Spiritual Director," which makes him practically its master. The *Bond* as a whole likewise has its own "Spiritual Director," who is the highest authority and whose *placet* decides whether a candidate may be elected a member or not. Meetings are regularly opened with prayer, and a gratuitous funeral mass "for his soul" is one of the "benefits" assured to every member. Saints' days—above all things the calendar day of the Patron Saint, St. Isidore, who was a gardener—have to be religiously observed, and members are bound to attend any brother member's funeral. Beneath this unconventional and pronouncedly "churchy" husk there is a very good practical kernel. And indeed in all respects the *Boerenbond*—now ably directed by Canon Luytgaerens of Louvain—looks well after its members and secures them ample benefit, mundane as well as spiritual. It does not, indeed, limit its good work to members. During the hard visitation of the war it rendered valuable service,

without distinction of creed, indifferently to all Belgians to whom it had it in its power to bring relief. Its headquarters, although situated in grievously martyred Louvain, have by something like a wonder escaped material hurt, the Hun destructions stopping short at its suburb, which seemed to be protected by a higher power. Its business likewise has not been seriously affected. So great did the confidence reposed in its stability by the population turn out to be that its deposits have actually increased during the war.

One noteworthy point in the *Boerenbond's* denominationalist ambition to *fare da se* is this, that in its separatist pride it has scorned to accept any State aid, freely as such has been offered to it. The General Savings Bank of Belgium—which is a model in its way as a Savings institution, striving to turn the people's money which it receives to good account *for the people*, in housing and land purchase and similar services[1]—has for some time taken Co-operation for Credit under its special protection and elaborated a plan—similar to that followed by the equally well-meaning Savings Banks of Lyons and Parma—under which it offers free drafts upon its capital to credit societies forming under rules approved by itself and pledging themselves to pay all their overplus deposits into its funds. Under this plan a number of rural credit societies have sprung up. For, as will still be shown, the *Boerenbond* does not cover the entire area. However, the societies so formed have shown themselves serviceable rather as collecting offices for the General Savings Bank than as issuers of credit ; they deposit more than they borrow. The same convenient service was placed also at

[1] The housing scheme adopted by this Savings Bank is particularly deserving of mention. The Bank provides money freely for approved housing societies—up to nine-tenths of the value of the property, adding instalment by instalment while the work is proceeding, which is found a great convenience. The remaining tenth is often enough provided by a voluntary association consisting in part of gentlemen connected with the Savings Bank. The possession of the house so raised up is secured to the borrower's family in the event of his death by a system of life insurance which has come to be generally practised in the same connection, but which I believe was first introduced by M. Mahillon, when Director of the Bank.

the disposal of the *Boerenbond*. However, it has not availed itself of it, raising all the money that it wanted from its own resources. So ample have the funds obtainable by the *Boerenbond* proved to be, that they have enabled it to tackle the difficult problem of providing Mortgage Credit by co-operative means. That is, of course, done in a separate section of the *Bond*, kept quite distinct, the advances granted—which are repayable by what foreigners call "amortization," that is, sinking fund—being balanced by long term debentures issued, running for the same period. The ready support given by "Catholics" of course helps to provide the money required. In providing it they are favouring "the cause." But the business is considered safe. Its dimensions are not yet very considerable, but it is found helpful to small owners of land. Apart from that, in its giving of Credit the *Boerenbond* faithfully follows Raiffeisen principles. However, Credit is not by any means its only business. Indeed that business is assigned to only one of its various "sections," one or more of which—generally more—go to form a local "guild," which is the unit of the *Bond*. Such subdivision is indeed something of an innovation upon Raiffeisen practice. But otherwise the two organizations are strictly of one piece. There is in both the same strict limitation of districts—by preference to a single parish. There is the same unlimited liability as an essential feature. There is the same equality of rich and poor. There is the same careful selection of members, the same inquiry respecting the object of the loans and the same watching of their employment. All these details, as well as rigorous inspection, have been bodily accepted. And the institution may be said to be flourishing. Owing to the rather fragmentary composition of the annual Reports during the war I am not in a position to quote full figures showing the present strength of the movement, except to state that in 1917 the number of Credit "sections" affiliated to the Central Bank of the *Boerenbond* was 485, out of a total of 873 rural credit societies registered in Belgium. Those not affiliated are for the most part societies worked under the General Savings Bank arrangement. In 1912

there were 560 "guilds" on the *Boerenbond* register, with collectively 50,617 members, that is, 3,715 more than in the preceding year. The number of "Raiffeisen" (that is, in our present sense credit) "sections" was 333—out of a total of 738 registered in Belgium, so that there has been a not inconsiderable increase—need, as usual, suggesting Co-operation as a remedy. The *Boerenbond*, which, as has been already intimated, has rendered very valuable services to the rural population, does a great deal more than merely grant advances and receive deposits. It buys and sells, it provides implements by sale or by loan, it also provides feeding stuffs, seeds and indeed all farming requisites, as well as household requirements; it organizes co-operative dairies and similar co-operative enterprises, it insures and teaches, by lectures, by classes and by demonstration experiments. It maintains distinct societies of severally agriculturists and market gardeners, and also "*Cercles de Fermières.*" And as a quite distinct speciality it has a special department for the reclamation of waste land, of which there is still a good breadth in Belgium. A similar institution could not fail to prove useful to ourselves now that we have resolved to tackle once more the thorny problem of settling discharged soldiers on the land, which from the time of Roman Sylla, Cæsar, and Probus, down to the last experiment made by the 'cute and skilful Japanese in Hokkaido has proved so disappointingly insoluble. One further fact which it may not be out of place to mention here, while we have our present land settlement problems on hand, is, that among the objects for which loans have been asked of and granted by the *Boerenbond*, "purchase of land" (by small cultivators) figures in first line, taking precedence even of *versura* loans, "to repay old debts."

The *Boerenleenbanken* of the Netherlands are, as observed, so far as the service of credit is concerned—which is all that they lay themselves out for—a replica of the Belgian *Boerenbond* "sections," only with the Roman Catholic denominationalism, if possible, still more accentuated. And to "go one better" still, by a secession from one of the existing three Unions, the formation of a new Union has

been proposed which is to make "God, the family and property," the foremost points in its programme. The first Dutch *Boerenleenbank* was formed at Maasbracht, in Limburg, in 1895; the second followed at Louneker in 1896. The number of *Boerenleenbanken* on the register in 1916 was 940—which is a considerable advance upon the figures for preceding years. Of those 940, 518 were attached to the Union and Central Bank of Utrecht, which is the largest, and also the most tolerant of the three existing; 381 to that of Eindhoven and thirty-six to that of Alkmaar, leaving five societies unattached. The *banken* collect a very decent amount of deposits, the balance in hand at the close of 1915 standing at 81,673,539 Dutch guilders (the Dutch guilder is of the value of about 1*s.* 8*d.* of our money) out of a total of savings deposits in the country of 391,801,466 guilders. The Dutch movement is unusually centralized, more power for inspection and general domination being placed in the hands of the Central Bank than in any other Federation. This feature is particularly marked in the Eindhoven Union, in which banks affiliated are not only not permitted to join any other Union (of credit or otherwise) without its express sanction; they are also forbidden to incur any *serious* liability without such authority. The Central Banks are each administered by a committee of five and an inspecting council of six (or more), with at least one member in each case retiring every year. In addition, the Eindhoven Central Bank, which is peculiar in more ways than one, has an advisory committee of three, to represent the "individual" banks, which committee is separately elected at the general meeting, and endowed with precisely the same prerogatives of inspection and admonition, reference of cases to the general meeting, etc., as the council of inspection.

The business done is not inconsiderable. The balance sheet for 1915 of the 935 societies affiliated to the Central Bank of Utrecht showed 24,590,247·44 guilders on either side, that for the Eindhoven societies 14,398,586·76 fl., that of Alkmaar 1,129,577·51 fl., meaning a collective business of 40,116,401·71 fl., corresponding to about £3,350,000.

Like the Belgian *Boerenbond*, the Dutch associations busy themselves assiduously with the moral, intellectual and religious upraising of their members and the rural population generally, in classes carrying on education and otherwise, and promoting sale, purchase, co-operative action in the preparation of agricultural produce for market purposes, and the like.

As in the *Boerenbond* and the *Boerenleenbanken*, Denominationalism is likewise a leading feature in the *Caisses Rurales et Ouvrières* formed in France under guidance of the late Louis Durand, a staunch supporter of the rule of the Vatican and at the same time a loyal follower of Raiffeisen. So demonstratively was he attached to the rule of Rome that he himself and his movement, being treated as " suspect " by the Republican Government of France, have thereby exposed themselves to much persecution at the hands of the authorities. It must not be understood that Durand, any more than Raiffeisen (who indeed was a Lutheran Protestant) would have all his followers of his own creed. In such Protestant districts of France and the Cévennes he has formed societies of precisely the same order as the others, composed of successors of the *Pasteurs du Désert*. But he strongly insisted, as do his successors, upon the recognition of a Christian " Credo," meaning the service of religion and the moral upraising of people, being placed foremost on the programme of the movement. The majority of his societies are decidedly Roman Catholic and Vaticanist, and at their periodical meetings the cassock is largely represented. It is not quite easy to say what is the precise number of Durand's societies. He himself gave me only a short time ago the figure as about 900. Government authorities on the other hand put it at barely 200 or 250. The explanation of this discrepancy is that although more than twice M. Durand's number have been formed, quite half of that number had to be wound up when the Government in its hostility to the " Popish " movement decided not to recognize societies registered under the law of 1867, restricting its recognition to societies formed under the law of 1890. The direct effect of this—which M. Durand as a lawyer has

declared a quite illegal distinction—was, to exclude Durand's societies from the right of receiving advances from the official *Crédit Agricole*. Now, in truth no such advances were at all needed. On the contrary, Durand and his followers pride themselves upon the fact that they are perfectly able to fend satisfactorily for themselves. However, societies resented the indignity of exclusion as a matter of prestige. It was Durand's insistence upon the "Credo" which led to the unfortunate split in the erst united co-operative credit movement represented by the *Centre Fédératif*, of the Committee of which Durand was at the outset one of the two Vice-Presidents. The other members—like Schulze-Delitzsch—took the secularist view. Accordingly Durand separated himself from them in 1894, forming, curiously enough, a "Union" before there were any local *caisses* to join. For the two little bantlings which he had succeeded in launching about 1892 died very young. Denominationalism is in Co-operation a questionable feature. But one could wish to see societies with the sturdy self-reliance which inspired Durand's action multiplied in France—and elsewhere.

What very little Raiffeisen Credit there is in Switzerland likewise bears a strongly denominational (Roman Catholic) impress upon it. Indeed, amid the facilities otherwise placed at people's disposal, alike for depositing money and obtaining credit, what we call "Christian Socialism" seems to be about the only motive which could suggest the starting of a new agency. A beginning was made, in a very tolerant and live-and-let-live form, in the later eighties at Schosshalde, a suburb of Berne, by the Roman Catholic vicar of that parish. The number of societies then formed did not exceed three, which continued feeble and did little business, and soon came to an end. A new start was made on New Year's Day, 1900, when Pastor Traber, the vicar of Bichelsee, formed a little society in his parish. By July, 1916, Nationalrat Jenny—one of the highest authorities on Agriculture and Co-operation in the country—could report the existence of fifty-six societies, numbering among them 3,300 members and doing a business of 13,697,000 francs

annually. The *Genossenschaftsbank des Christlich-Sozialen Genossenschaftsbundes* was then formed at St. Gall, to act as Central Bank and "feeder" to the Raiffeisen societies. Supported with outside capital, for the benefit of the "good cause," that bank shows itself exceedingly accommodating, allowing societies to draw upon it without cover up to a certain figure—originally 100,000 francs. So stimulated, the Federation grew in 1907 to ninety, with about 6,000 members, doing an annual business of 24,619,707 francs. The number of societies now stands at about 200. Within its own narrow limits no doubt it does economic and educative good and, in addition, keeps members true to their particular Church.

Among Slav nations, as a matter of course, Russia—which to imagination, memory and hope still presents itself to us as one undivided whole—claims the first place by reason of its magnitude. It is, as observed, not quite easy in Russia to distinguish between Schulze-Delitzsch and Raiffeisen adaptations. Both have found a comfortable shelter under all-covering State aid—coupled under Tsar rule with rigid and distinctly meddling State supervision, thereby modifying them so completely that in the societies numbering on an average 607 members and extending their operations over areas containing from two to four thousand households, not a few in towns, not even the founders of their models, would be ready to recognize offspring of the humble little institutions of the Westerwald and Neuwied. The Raiffeisen features retained are the absence of shares, unlimited liability and non-division of profits, which "profits" go to make up an indivisible reserve fund. However, whereas the genuine Raiffeisen banks advisedly confine themselves to small districts, their Russian facsimiles make their districts large; and whereas the Raiffeisen societies make all services gratuitous, officers of "Russian Societies" are, as a rule, paid. Above all things, the moral, educating and elevating element and aim, which constitute the distinctive feature of Raiffeisen banks, are wanting. The law even forbids ministers of religion to take any active part in the management. These societies are governed, in the main, by a law passed in 1895,

when what is called Raiffeisen Credit was first introduced into Russia. (There have been amending laws passed since, in 1904 and 1910.) That law, which groups its precepts under no fewer than thirty principal heads, is in some respects unquestionably liberal. It makes provision for the supply of funds ; it grants certain exemptions and privileges ; it allows societies to make advances upon movable goods which nevertheless remain in the borrower's employment (*gage sans dessaisissement*). But on the other hand it makes the adoption of rules, that is, the formation of a society, dependent upon the approval of the Ministry of Finance, which has proved an exceedingly hindering provision. Although it allows the formation of a society without shares, it insists upon it that there must be *some* capital to start upon, which may be advanced by the State, or given by a patron, or otherwise provided by some good fairy. The parties providing the endowment thereby become entitled to the right of supervision and control. Although, once more, there being no shares, there can be no dividend, a certain portion of the annual surplus may be shared out among members, as a rebate upon business, which is practically the *ristourne*, a " dividend on business "—which is a thoroughly justifiable employment. Twenty per cent. of the annual surplus are in any case to be carried to reserve. And a portion of the surplus may be laid out in works of public utility.

That produces but a poor replica of the rural society, as Raiffeisen conceived and organized it, with all the ideal objects, the character and community forming, taken out. However, these societies, become State-aided and State-inspired, are nevertheless found to do good, bringing some of the needed aid into a thirsty desert. And they appear to suit the uncultured peasantry for the present. The mere growth of the average number of membership from 320, ten years ago —which was quite enough in all conscience—to 607 appears to indicate this. The number of societies and the amount of their business confirms it. There were in July, 1913—these are my latest figures—in Russia, exclusive of Finland and Poland, 7,974 such societies, known as " Russian Socie-

ties," with 4,867,734 members—as compared with 3,019 "Thrift and Advance Societies" (of the adapted Schulze-Delitzsch type) with 1,726,301 members. That represents a substantial advance upon the figures of four years previously. These were, for April 1, 1904: 2,853 societies with 1,430,000 members. I cannot give the latest figures. But there can be no doubt about the commonly recorded fact that there has been a substantial accession of strength to Co-operation throughout all the realm. The entire capital owned by the societies of the first-named class of societies at the date mentioned amounted to £2,520,607, plus £429,625 special funds and £364,929 reserve funds. Deposits were returned at £12,139,526 and borrowed money at £5,289,377. Outstanding advances figured at £19,043,054. The rate of interest on deposits ranged from 5 to 8 per cent., that for advances at from 10 to 12 per cent. As time advances and culture spreads, and husbandry becomes intensive, it will be reasonable to hope for better things, alike as regards rates of interest and organization and aims.

Credit Societies of the Raiffeisen type have become very popular in Finland, the population of which country has —even while still under Russian rule—shown a great partiality and inborn fitness for Co-operation—Co-operation, it is true, mainly of one sort. It is for the benefit of the rural population that such Co-operation was promoted and organized. Hence the discord which has recently arisen, the working men, with their socialist proclivities, appearing on the scene to dispute the ground to farmers, whom they accuse of selfishness, in accordance with a formula now become much favoured in working-class ranks. The judicious and energetic way in which Co-operation for the benefit of the rural population has been organized by the Society "Pellervo" is indeed worthy of all praise. Among other things it deserves to be mentioned that it is the University students of the country who have, in vacation time, laboured most strenuously and zealously for the spread of rural Co-operation, as a service due to the community. Like some University students elsewhere, they have also applied to themselves what they are preaching to the peasants,

forming a Co-operative Loan Fund for the members of their Temperance Society with something like fifty-five members, £400 capital of members and £1,800 loan capital. This fund, as its title indicates, allows temporary loans to students. As for agricultural Co-operation, in spite of the rather adverse condition undoubtedly prevailing in the large but sparsely peopled country—with farms separated from one another by long distances, very limited means of communication, and also paucity of money—co-operative purchase and sale societies, co-operative dairies and similar institutions have multiplied rapidly and—with the help of a financing Central Bank—shown good results. That Central Bank, so it is satisfactory to be able to note, is not a Government institution, although it is assisted from public funds, the Government having granted a loan of £160,000, redeemable by sinking fund, and the Diet another of £50,000. The bank is a Joint-Stock Company with £12,000 share capital, contributed in part by individuals, whose shares are gradually being bought up by societies.

There is little to say under the present head regarding the Slavs who claim descent from the mythical "Lech"—the youngest of the three traditional patriarch brothers Rus, Czech and Lech—that is, the Poles, strong as they are on the other side of Co-operation—not because they do not appreciate and practise Raiffeisen Credit, but because records are few and patchy. What is being done in Galicia has already been noticed elsewhere. The Poles of Prussia, excellent co-operators that they are, have in the main adhered to the Schulze-Delitzsch system, which among them—as also on many other spots—has brilliantly attested its capacity for supplying rural needs. The very favour shown by political authorities in the Polish provinces to the Raiffeisen system, among German settlers—of course, being State coddling, under Haas' guidance—has effectively helped to keep the Poles there on the other side. (It has, of course, also, in 1911, when the split occurred with the State-endowed Central Bank, determined about 140 Raiffeisen societies of the Prussian province of Posen to desert their parent Union—the only deserters among the entire Raiffeisen host

—and submit to the Central Bank.) But in Russian Poland Count Matthias Radzivill and other philanthropists have given a hearty support to the Raiffeisen cause ; and among the co-operators in Silesia, in which province Raiffeisenism is strong, there are of course also many Poles. A race like the Polish, which claims to have the Holy Virgin for its special patroness, is not likely to value the ideal aims of the Raiffeisen system lightly.

Recent figures are likewise not obtainable for the prevalence of Raiffeisen Co-operation among the Czechs of Bohemia, Moravia and Austrian Silesia. But among them likewise Raiffeisen Co-operation—much practised among the local Germans—is known to be very well represented, keeping itself strictly separate from the German, but showing great energy in its own development.

Among the Southern Slavs—the Yugo-Slavs—Raiffeisenism is the favourite form of Co-operation, although it is nowhere in those parts practised in its original purity. Nevertheless it has accomplished great things among these people. It has there been found necessary to transform shares into annual payments. And the practice which has become so popular in India, of paying up shares, such as they are, by such annual payments, on the understanding that the money will be refunded at the close of a stated term, so as practically to put the share out of existence, has found precedents in Serbia and Bulgaria. Notwithstanding the modifications introduced, which might grate a little on more or less pedantic German minds, Raiffeisen Co-operation has an excellent record, certainly in Serbia, where it has found an admirable, vigorous and energetic exponent in M. Michael Avramovitch, who formed the first Serbian Raiffeisen society at Smédérévo in 1894. And it is not only his own country which has benefited by his labours among a race by natural disposition attuned to Co-operation. For, apart from a Union of co-operative societies, which at the close of 1908 numbered 827 societies, all organized in the same way, with about 40,000 members, all being heads of families, among whom there were about 150 men of liberal professions, about 400 schoolmasters, 300 parish

priests, and the remainder all *bonâ fide* peasants, there are distinct Serbian unions in Croatia (embracing more than 300 societies with probably somewhere about 12,000 members, and doing an annual business of 25,000,000 kronen), some in Dalmatia, and one at present forming in Bosnia; and even in Turkey Serbians are, so far as is known, the only race to have ventured upon co-operative action, having formed a small cluster of Raiffeisen banks. Their registered capital stood at 2,500,000 dinars; their deposit capital (savings) stood at about 3,000,000 dinars, and their annual business amounted to 36,000,000 dinars. Serbia has in its co-operative credit institutions of course absolutely less substance to show than Russia, but, on the other hand, far greater loyalty to principle.

There is a Central Bank at the service of all Co-operative Societies of Serbia, whether of Credit or otherwise, taking deposits and making advances, with 2,000,000 dinars share capital, all of it subscribed by societies, and all but 200,000 dinars already paid up. In every continental country, it appears the State must needs have a finger in the co-operative pie, and so in this case it has placed a credit of 2,000,000 dinars, free of interest, at the disposal of the Central Bank. That bank deals only with members and, having the free credit from the State to draw upon, and having placed a limit upon dividend, so as to make it to correspond exactly with the rate allowed upon deposits, makes to such advances at from 3 to 5 per cent.—never charging more than 3 per cent. to dairies and other agricultural co-operative productive societies. In such way the Central Bank did in 1908 a business of 28,000,000 dinars. It acts at the same time as controlling authority, and has organized a very searching inspecting service, sending its skilled inspectors about from bank to bank, and levying on local banks as remuneration for such and other services 10 per cent. of their annual net profits. The "Union" is active at propaganda and co-operative education. Since October, 1908, it maintains a special "co-operative school," in addition to organizing lectures and local classes, the pupils of all of which are periodically subjected to examinations.

Serbia has indeed, in its brief time of independence, set a brilliant example to other nations by organizing Co-operation, and more particularly Co-operative Banking, with a degree of assiduity and success which certainly deserve commendation. Serbia needed co-operative credit, for usurers were fleecing its peasantry—that is to say, the great bulk of the nation—to the tune of 400, 500, and even 1,000 per cent. of interest, to such an extent that the Skuptchina felt itself called upon to interfere, and to pass a law which, in theory at any rate, vests *all* property in land in the State Mortgaging and selling are accordingly made impossible without the consent of the authorities. This law, which resembles the most successful Indian Land Alienation Acts, is held to have worked well and to have accomplished its end.

There can be no doubt that these banks are in their humble way doing economic good, though the bulk of the good to be done is of course still to come. As regards their educational results I cannot resist the temptation to translate from M. Avramovitch's Report the following record :—

"Peasants who used to spend their days in the public-house playing cards and boozing, have thrown off that habit. In the village of Rattarée, before a bank was there called into being, the publican paid 480 francs rent for his café, and did well. This year scarcely could he be brought to pay the parish, which owns the café, as much as 210 francs. And even on that lower rent he has made a loss. One day, making the round of our village banks, I went into the tavern of the village in which I happened to stop, and there the publican at once began complaining to me about the distress in which he had been landed, since scarcely any one now comes to his inn, either to drink or to play cards. And indeed, whereas at other times I have in this inn seen plenty of beer, wine, absinthe, and other liquor about, this time I found none. In the village of Mihailovatz there used to be two inns; but one has had to close its doors at New Year. On one occasion a member of a village bank was seen playing cards and losing four francs. He was brought before the Committee and summarily expelled. Other members, who were suspected of indulging in play, took warning, and are now rarely to be seen in the public-house. Throughout Serbia the municipal elections serve as an occasion for fighting and quarrelling.

Wherever village banks have been established, the elections now pass off in perfect peace and good feeling. The Annual Report of the Managing Committee of the Village Bank of Azagna says on this point: 'Our association has drawn us together and made us friends of one another, as should be the case amongst honest and well-conditioned folk. It has taught us to respect one another and to help one another, to enable each to live better and to work better. In little time it has made us learn many useful things which our schools have failed to teach us.' Our schoolmasters and priests (*popes*), who were formerly political agitators, have become agitators for the cause of Co-operation. In one year only Serbia has seen fifteen village banks start up in three Departments. There would be more if the ordinary banking establishments would open their credit to our *caisses*. They have now promised at their next annual meetings to introduce regulations into their rules providing for this. No doubt the parishes as well will find means of employing their large capitals now invested in various stocks and effects for the benefit of agriculture by the interposition of our village banks."

The Raiffeisen principle has also, as observed, extended its sway into Spain and, at any rate sympathetically, into Portugal. However, the Spanish product has remained feeble, and is not by any means pure. The Portuguese the result of long and arduous labours by the late Dom Costa Goodolphim, can, on account of its insignificance, scarcely come into account. In Spain Don Francesco Rivas Moreno has laboured long and arduously to acclimatize Raiffeisen Credit. However, Spanish nature will seemingly not brace itself up to the acceptance of genuine self-help. Unquestionably Spanish Agriculture stands in need of help in Credit. The famed *pósitos* were not equal to more than a very small fragment of what had to be done. The situation has grown even more troublesome since the market has turned against low-priced Spanish wines. Usury has, as a matter of course, fastened upon the distressed wasting body, and is sucking its blood at the rate of 70 per cent. and more. Worse, there is the *pacto de retro*, which under the guise of very moderate interest charged by one neighbour to another, appears, when terms are not properly observed, to swallow up property at the rate of 100 pesetas taken where 10 are due. Against all this the *pósitos*, with all their vaunted wealth, have proved powerless.

Up to 1906 the situation was unfavourable to any progress in the direction of Co-operative Credit. For although a law of 1841—under which Don Moreno's *Cajas* have actually taken shelter—permits the formation of co-operative credit societies, it does so only under conditions which cramp and hinder their co-operative action. A law passed in 1906 created a more favourable situation. And under shelter of it some years ago a co-operative society for the supply of mortgage credit was formed in the Province of Tortosa, limiting the benefit of borrowing to members only. Since the law of 1841 allows *Syndicatos Agricolas*—which exist to the number of about 1,600—to engage in operations of credit, a Co-operative Congress of Catalonia and the Balearic Isles held in 1912 passed a resolution declaring in favour of multiplying *Cajas* of the Moreno type as much as possible in connection with those bodies. Of such *Cajas* there are now probably about 400 or 500. The number returned in 1913 was 384. But, as already observed, they are not pure Raiffeisen. It was a "Catholic" Congress held at Burgos in 1899 which gave their formation the start by a resolution framed strongly in their favour. And to that resolution the *Cajas* owe all the impetus which they have gained. When all allowance is made for the difficulty of establishing pure self-help Co-operation in Spain, it will have to be admitted that in Don Rivas Moreno's *Cajas* there is a strong flavour of patronage, to which, as Don Rivas Morene himself has complained, the peasantry—for whose sake the sacrifice is made—do not adequately respond. In some banks there are *socios fundadores*, who provide the money, govern, and forego the services of the bank, and *socios activos*, who have to submit to being governed, but are privileged to borrow at rates that are to be kept low. Many are endowed by donations, or else by a temporary purchase of shares, which are to bear no interest, but to be redeemed in a few years (wind and weather permitting), so as to leave the *caja* eventually its own mistress. In other cases there are compulsory contributions for a certain number of years from *bonâ fide* members, which are graduated so as to suit all purses, say from 50 centimos a month up to

3 or even 5 pesetas. As is the contribution so will the share be when it comes to be allotted. But in any case by such device the door is kept open to the poor. In some instances priority in borrowing is—whenever a distinction has to be made—adjudged to those who have subscribed most money—which is not precisely co-operative.

Raiffeisen Co-operation has also sent its advance posts into the Dutch West Indies, where the Colonial Government —more particularly in Java—is, through the specially instituted "Dienst van het Volkscredietwezen," actively bestirring itself to establish it—not necessarily by itself. For in suitable districts it advocates the organization of Co-operative Credit also on Schulze-Delitzsch lines. But its main efforts appear, quite naturally—seeing the ground on which it is called upon to operate—to have most chance of acclimatizing the Raiffeisen system. That "Dienst" has issued very useful literature, including a fairly comprehensive list of legal enactments affecting the practice. But I have no statistics at my disposal to show how far it has succeeded in its work.

CHAPTER XIII

The "Casse Rurali" of Italy

As in the person of M. Luzzatti Italy had its own Schulze-Delitzsch, Providence so ordered it that it should have also its own Raiffeisen—not a mere mechanical imitator, but an intelligent adapter, taking into due account the peculiar circumstances of his country. There can be no doubt that the *banche popolari* do not adequately occupy all the ground which calls for cultivation. They do wonders among small trading folk with moderate means. They do a great deal for substantial farmers. They do very little for the large class of small agricultural cultivators, and, generally, the dwellers in villages, who need help very sorely.

The case of rural Italy ought to be interesting to us, because there are some features which link it rather strikingly with our own rural economy. In Latium, in Umbria, in the Marches, and in parts of Lombardy and Venetia, there is the same paucity of landowners, a very similar system of land tenure, even more absenteeism, and—here is a point of difference—incomparably greater harshness practised in the collection of rents. In Italy the need of the humble tenant classes is, accordingly, even more accentuated than among ourselves. To the mass of the people in the country life is a perpetual struggle. Everything, of course, is backward—tillage, trade, domestic economy—in that little cottage which poverty has stripped bare of every comfort. The farm implements are primitive, the manure is of the scantiest, and so is the fodder given to that poor, mis-shapen live stock, which, in nine cases out of ten, belongs to a usurer, who draws all the profit out of its rearing. Rents are rigorously exacted, and to the little house-

hold, perpetually in debt, " money " is as much of a meaningless " expression " as " Italy " used to be geographically before the Union. Even wages offer but a slight alleviation to the cultivator's lot. For their scale is very low—up to quite recently only 50 centesimi for a woman, from 80 centesimi to 1 lira, or at most 1½ lira for a man.

Of course such an economical desert must needs bring forth its own peculiar weeds. Usury became rampant. Its practice was scarcely even held disgraceful. Indeed, the usurer had come to be looked upon as quite respectable. There was nothing on which he would not lay his hand. If the poor peasant wanted money, he could have it at rates varying from 50 to 1,200 per cent.—often with a Sunday dinner thrown in as a prescriptive condition. Or he might have it from a bank in the town, at which, in consideration of a heavy fee, the usurer would consent to act as surety. Should the peasant require a sack of maize —as he sometimes does—he could have that in kind, of inferior quality, at the rate of 24 lire for what in the market cost only 12 lire, but after three months he must return it of good quality—a matter of 400 per cent. per annum. Should he require live stock, there was the same friend in need to provide it by an arrangement called *soccida*, which throws all the risk and cost of keeping upon the hirer, while securing a sure half of the profits to the lender. Should he want goslings for his wife to rear up and fatten for the market—as favourite an industry in Venetia as chicken-cramming is in Sussex—the usurer would let him have his £2 wherewith to buy fifty goslings, claiming back as interest, at the close of five or six months, five fat geese, representing a value of £1 each.

That has proved merry business for the usurers, but it has kept the peasantry in abject poverty, which was rendered more marked when hard times came, and either the earth refused to yield her increase or the market its prices. Their condition became worse than mere poverty, for it crushed all hope and elasticity out of them. After the year 1880 had brought on the critical period of depression, there seemed scarcely anything left to work for. Cattle, imple-

ments, furniture, were all pledged to the usurer. And feed as poorly, clothe himself as scantily, live as miserably as he would, all the peasant's toil went but to enrich his oppressor.

For such a population as this the Raiffeisen Village Banks, with their aptitude for conjuring money out of nothing, appeared the one thing needed. Of course their fame had penetrated across the Alps, and in 1883, just before Dr. Wollemborg resolved to make himself their champion in Italy, M. Luzzatti cleared one hindrance to their introduction out of the way by publicly declaring that "if the ardour of an apostle were to raise up banks similar to those of Raiffeisen, they should be welcome; he would not in Italy renew those useless and disgraceful polemics with which these banks had been met by his friends in Germany; if they did not disdain to accept it, there he offered them his hand for alliance and help."

But, unfortunately, the fame was as yet nothing but fame. The Italians "heard the message, but they lacked the faith." No one really believed in the practicability of the thing. Signor A. Keller had championed it in speech, but gained no converts. And when Dr. Wollemborg made up his mind to try his hand at a practical experiment, "everybody told me," so he himself says, "that my undertaking was 'impossible.' And I silently recalled to mind that fine saying of Carlyle's: Every noble enterprise is 'impossible' at its outset."

In his own Venetian home of Loreggia Dr. Wollemborg had a good district to begin upon. Loreggia is a biggish parish, with something under 3,000 inhabitants, mostly devoted to agriculture and small trade. It was at the time a typical "depressed" place because, barring Dr. Wollemborg himself, none of its landlords ever came near it, contenting themselves with drawing their rents—which were heavy for land not naturally fertile and poorly developed. With a tolerably well-filled purse come to him by inheritance, Dr. Wollemborg might have done a good deal by charity to relieve actual distress. But that would have been missing the best part of a good deed: the raising and educa-

ting of the people. So he decided to take his place by the side of his poorer neighbours as one of themselves, and to make every one contribute to "his own emancipation"—claiming distinction above them only in the prerogative of work. In June 1883, having secured the support of in all thirty-two members—including, of course, the *paroco*—he opened his little pioneer bank. "*La date mérite d'être notée*," says M. Rostand; "*elle marquait la naissance d'une institution.*" His first work proved very uphill. There was no good fairy to stand by the bank. Every inch of ground had to be conquered. To provide the first funds, Dr. Wollemborg himself opened his purse, advancing £80—besides, I presume, paying in the bulk of that £280 of deposits which the bank managed somehow to attract in its first term of business of four-and-a-half months. Later, the public Savings Bank of Padua consented to lend £160.

Ever since, the Italian Savings Banks have all through stood loyally by the little *casse*—once they found them to be safe. Dr. Wollemborg himself confesses that, but for their support, he would have found it difficult indeed to accomplish his purpose. The Savings Banks have not lost a penny by their confidence. And long since the *casse* have conquered for themselves a position which places them above the necessity of begging favours in any quarter.

However, I am anticipating events. When the Bank of Loreggia had been in existence three months, great was the surprise of the peasants who had become borrowers, on receiving an advice from the *ragioniere* (the accountant or actuary), to the effect that they owed 1½ per cent. on their loans. One-and-a-half per cent.! Surely that must be a mistake. Incredulous, they brought their books back to the *ragioniere*; such a thing had never been heard of! When they found it to be correct all the same, the fame of their *cassa* travelled abroad as on wings. "The propaganda begun," says M. Rostand, "the diffusion worked its own way. Here, there, the author of this new institution found himself summoned, sometimes by a landlord less indifferent than the rest, sometimes by the *sindaco* or the *paroco*." A little while ago the bank numbered 128 members.

It is not actually overburdened with cash; it has to study strict economy in all things; many of its transactions are humble and small. But it raises all the money that it wants itself. It had, at the time spoken of, a little reserve of 2,996 lire laid up, which had grown very slowly, but promises, now that it has reached such a point, to increase more rapidly. To do them justice, the members are anxious to increase what they know must in the long run prove the backbone of their bank. At a special meeting, composed mainly of borrowers, in the early history of the bank, they resolved rather to go on paying a somewhat higher interest than was absolutely necessary—that is, 6 per cent.—than stint the reserve. The bank has generally about £600 or £800 out in loans fructifying in people's farms, in the shape of cows, or pigs, or goats, or implements, or manures, or feeding-stuffs; or else earning a profit in village shops in the shape of raw material; which gives the tradesman employment for his labour.

In respect of organization Dr. Wollemborg has in all essential points proceeded on Raiffeisen lines. His associations are smaller than the German—generally speaking, more needy, to begin with. Strict economy, even in small things, is accordingly a matter of even greater moment. Under the circumstances an active participation of each member in the work becomes more of a necessity, while at the same time its application is made easier. The members meet oftener and administer their own affairs more in common. Hence, if possible, an even more lively interest, even fuller co-operation in small things, than is seen in Germany. There is not a meeting at which all members who are able do not attend. Should any fail, they are looked upon by their brethren much as were the ἰδιῶται, who would not vote on public matters, by the Athenians, and are visited accordingly—not, indeed, with the capital punishment meted out by patriotic Greeks, but with a fine of 50 centesimi, which to their thrifty notions seems quite heavy enough. There is something naïvely simple, almost patriarchal, about these co-operative "parish councils," in which every member claims the exercise of his right to vote.

There the members settle the instructions for the elected Committee—which meets once a fortnight, to overhaul accounts, to receive savings, and to consider applications for loans. In most banks the general meeting will limit the lending powers of the Committee to 300, or 500, or 600 lire, as the case may be, per credit to any one individual; and to a larger figure for collective lending; while at the same time determining the interest to be charged on loans and allowed on deposits. At Loreggia the members began by limiting their Committee's discretion to 10,000 lire, which they soon extended to 16,000 lire. At Vigonovo they began with 20,000 lire, to substitute, shortly after, 30,000. All the expenses are cut down to a minimum. The poor *cassa* of Loreggia, to state one instance, cannot afford to pay its cashier £37 10*s*., as does the opulent *Darlehnskasse* of Mülheim. It allows him 40 lire (32*s*.) per annum, and all its annual expenditure totals up to only about 60 lire (£2 8*s*.).

One would think that with a Post Office Savings Bank always open, the villagers would for convenience' sake prefer to deposit their savings there, rather than wait for the fortnightly meeting of the Committee of the *cassa*, which allows them not a farthing more. But the majority bring their money by preference to the *cassa*. It is their own. It is administered by themselves and their officers. It keeps the money in their district. They take a pride in its success. For loans, of course, the villagers have no other bank open to them except the *cassa*, and they appreciate its beneficent ministrations all the more. And hence its rare educational value. In respect of personal qualifications it is strict as strict can be. A man may be as poor as a church mouse: that is no bar to his election. But he must be honest, and sober, and thrifty, and well conducted, and thoroughly trusted by his neighbours. And he must be able to write and read, at any rate rudimentarily. Under the joint influence of the *banche* and *casse*, illiteracy, which used to be as rife in Lombardy and Piedmont as ever it can be in Ireland at election time, is being rapidly stamped out. In the applications and receipts preserved by the

ragioniere you can trace the progress of sexagenarian scholarship in elementary caligraphy, in the gradual softening and rounding of those straggling characters which stand for members' names. "The illiterate learn to write, in order to be admitted to the *cassa*," so reports M. Rostand, "because every member must be able to sign his Christian and surname. The door is closed mercilessly against those who have contracted the habit of drinking"; they have mended their ways, and after that have been admitted. The rules demand guarantees of personal morality; the small field-thefts have diminished, because such or such an one has been expelled. The principal of mutual aid has grown more vivid. People have learnt to be punctual in their payments." The little band, in fact, realize almost to the full Signor Ettore Levi's ideal of a co-operative society —"an honest and industrious family," in which all members feel strongly drawn to one another, where all gladly render gratuitous service, well knowing that in studying the common good they are at the same time furthering their own private advantage Hence the volunteer service, willingly given; hence the love which binds all members to their bank; hence the power which enables them scrupulously to carry out all the work which they have undertaken to perform.

Among such a constituency as this there is rarely any occasion to refuse a loan. The borrower has to state his object, as in a Raiffeisen bank. He may want to buy a heifer, or some artificial fertilizer, or timber for carpentering, or some leather for making shoes. All these items are recorded in the minute-book, which shows a surprisingly varied collection of different wants supplied. And to the object stated he must adhere.

Dr. Wollemborg has not adopted the four-weeks'-notice clause, which in the Raiffeisen banks ensures conscientious employment of the loan. But he secures the same object by a different method, which at first sight is bound to appear a little roundabout and self-contradictory, but which works well in practice. For whatever term the particular loan be granted—in respect of length of time and repayment

by instalments Dr. Wollemborg adheres altogether to Raiffeisen principles—it is actually *lent* only for three months. Every three months renewal has to be formally applied for. By this means, so it seems to be held, the sense of the *conditional* character of the loan—conditional upon proper employment—is more forcibly brought home to the borrower, and he is effectually put upon his good behaviour. The interest ordinarily charged upon loans is 6 per cent.—which may seem just a trifle high in comparison with the Raiffeisen rate, but must be allowed to be justifiable in view of the greater need in its early years of so poor a society and the higher bank rate prevailing in Italy, to build up a reserve. To that reserve every surplus is religiously applied. There are no salaries beyond that modest allowance paid to the *ragioniere*, and up to a recent time there were no dividend because there were no shares.[1]

On some other points as well adaptations considered appropriate to Italian circumstances have been held to be necessary or advisable—in deference partly, to local preferences, partly to the *Codice di Commercio* which governs the societies. More particularly has this been the case since, at the Congress of Cremona—when M. Luzzatti gave effect to his earlier offer already mentioned, and tendered his helping hand to the "Italian Raiffeisen". A union was struck up between the originator and leader of the *Banche Popolari* and the "Federation" of *Casse Rurali*, of which from that date forward M. Luzzatti became the nominal head and an active helper.

In deference, probably, to the wishes of M. Luzzatti, the "Honorary President" of the Union of *Casse Rurali*, *sindaci*—five in number, that is, three effective and two substitutes—have been introduced, and their position has been assimilated to that in force in his own movement, which is a rather striking departure from Raiffeisen methods. There are some rather curious features about this arrangement. The *sindaci* must not, under the

[1] An issue of shares has been insisted upon in one case, at Crema, by the local judge; and the Society has conformed to the demand by issuing shares of 10 centesimi (1*d*.) each.

law, be in any way related, by consanguinity or affinity, within the fourth degree, to any member of the Managing Committee. On the other hand, non-members are declared eligible to the office. Once more, the *sindaci* are authorized—and in the main apparently desired—to act singly, looking after the daily administration of their bank, like their namesakes in the *Banche Popolari*, and it is expressly explained that even when they act in common, the dissenting *sindaco* is not committed by the vote of his colleagues, constituting the majority. There is an intermingling of reviewing and administrative functions in this, which might conceivably become distinctly inconvenient. The approved principle, both in Schulze-Delitzsch and in Raiffeisen banks, is, to separate *as completely as possible* administration from control, and any infringement of this principle is in my opinion likely to lead to mischief. Also the Executive Committee (*Consiglio*) is now made larger than in Germany, so as to consist of a President, a Vice-President, and five members, the President to be elected for four years, the remaining members for two. Furthermore a recommendation has been inserted in the rules to form a small share capital, each member taking up a share of either 1 or else 2 lire (10*d*. or 1*s*. 8*d*.), in addition to paying a small non-returnable entrance fee (which Raiffeisen would not have) in the place of the entire absence of shares, which had previously been the rule.

It cannot be said that the above described adaptations have removed the *casse rurali*, at any rate in practice, far from the Raiffeisen principle, though it may be doubted if they constitute an improvement.

Thus the whole system, though in some particulars a little differently organized, is in the main the same as in the German Raiffeisen banks: simple borrowing and lending, careful checking of everything, cheapness in service, caution in granting loans, strict avoidance of everything involving a risk. And the result has been equally happy, though not yet, of course, equally large. Unlimited liability has proved devoid of any element of danger. There have been scarcely any losses.

Slowly the *casse* have multiplied. Their increase was at first by nines, and eights, and sevens, till a more powerful propagating force was, as we shall see, brought into the field. There are at present one or two groups, in addition to 450 of independent formation, and, of course, all that host of "Catholic" *casse*, which official statistics early in 1909 put at 1,200, but which their own leaders claim to stand at 1,600 or even 2,000. And they have remained small, modest, humble little institutions, for the most part with a small number of members only—20, and 40, and 60. Not a few have more than 100, and there is one even with 600, and one with more than 800. But these are exceptions. Some of them do a considerable amount of business, having loans outstanding to the amount of £600, £800, £1,500, and more.

The total amount outstanding in credits on acceptances on December 31, 1907, in 1,526 *casse* (including "Catholic" banks still to be spoken of, which collectively are in a considerable majority), according to official statistics—which are not always complete—was 36,848,433 lire, in addition to 632,226 lire advanced on note of hand, and 1,118,399 lire advanced on mortgages, 38,599,058 lire (£1,543,962) in all—25,294 lire (over £1,000) per bank. This is a substantial advance upon the figure of £172 per bank, given thirteen years previously; but it is difficult to determine how much of the increase is due to the growth of undenominational, how much to that of "Catholic" banks. The collective share capital stood at only 456,762 lire, but the collective indivisible reserve funds amounted to 1,058,254 lire, and the amount of deposits (savings) to 43,308,302 lire (£1,692,232). About midsummer 1909 the figure for deposits was estimated to stand at about 50,000,000 lire (£2,000,000)—which, surely, is a curious comment upon the avowal of helplessness advanced in this country, on behalf of similar organizations in this country, to function, unless there should be a part of the Development Fund to keep our coming village banks in cash. Such sums as those named, helping poor people to earn a living, mean a great amount of good done in the small communities. Give such a *cassa* to every agricultural village, and

reckon up what the result will be! And think of the relief, the comfort, the independence, the education which such work has brought to the poor! Wherever they have gone they have done well. There is but one opinion as to the result: —"*Elles sont administrées avec un enthousiasme et un dévouement*," so wrote Léon Say, "*qui ne se démentent nulle part, et elles réussissent partout.*" Theirs has been the task of seeking the hundredth sheep, and sweeping the floor for the lost piece of money. They were planted on dry and thirsty soil, and their fertilizing work may be compared to that of the lupine, which, sown on barren sand, where no other plant could thrive, sends down its roots feet below the surface, to draw up from the subsoil, particle by particle, the valuable mineral constituents sparsely distributed in the soil, and, with the treasure of nitrogen absorbed from the atmosphere and its own vegetable fibre added in the shape of humus, builds up, layer by layer, a mould able to bear far more valuable crops. M. Yersin, during his lifetime managing director of the great *Banque Populaire Suisse*, using an equally apt simile, compares the People's Banks to a forest, which at the same time accumulates fertilizing matter, dispenses shade and freshness, yields a valuable crop of timber, and improves the climate and atmospheric conditions of the district.

Acting on parallel lines with those *banche popolari* which have in the matter followed M. Luzzatti's lead, the *casse rurali*, alike the "catholic" and the non-denominational, have of late, each *per se*, formed a Central Bank. That is to say, the non-denominational have formed one, which has not yet a very active business, and the "catholic" have reformed theirs, which previously led a sleepy sort of existence in Parma—the diocesan organizations proving strong enough, with the help of wealthy and liberal patrons, to manage for themselves. The non-denominational banks stand to gain by the new move.

To see what a bank is in practice, let us go back to the pioneer bank of Loreggia. You could not find a better one to serve as a type. Nor, at Loreggia, or indeed elsewhere, could you have a better guide to explain to you its work

than old "Corazza," in respect of age the "father" of the bank, when some years ago I went to visit it. His real name was Bernardo Pietroni; you could not tell that from his signature, which he had learned to scrawl after he was a grandfather, merely to qualify himself for admission to the bank. In the village his opinion counted for as much as that of any other six men. If he was deficient in knowledge of letters, you soon found out that he had plenty of common sense and sound judgment, and had not allowed experience to go by without drawing profit from it. Indeed, in conversation he discovered familiarity with the principles of modern farming rather surprising in so self-taught a man. "It is the bank that has taught me that," so he candidly admitted. In providing him, under certain safeguards, with the money which he required for his farming operations it had made him think how he might best employ it. If you would go about his field and his yard, up to his corn-loft, and into his cow-house, you soon learnt why he loved his bank. "I could not keep my farm like that formerly." His house was a large, simple and primitive, but substantial building, according to the custom of the country, affording room for his numerous family, comprising children and grandchildren, of twenty-eight, among whom he lived like a patriarch of old. Such large families are not uncommon in Venetia. These twenty-eight were Corazza's "children." So far as they were capable of work, they were also his "hands." He required no hired labour. Corazza would show you his maize-cobs, plump and bright in colour, his full-grained barley, his well-shaped potatoes. "We used not to grow them like that. It is the bank that has found the manure and the implements for good cultivation." "But could not you have saved what you wanted for that out of what you were making?" "There was nothing to save," replied he. "It all went to the usurer. We never had a centesimo over. Besides, if I had saved for buying implements, or manure, I must have starved the farm at some other point, where starving would have meant loss. The bank came in from outside. It gave me the *additional* pound or two, and never taxed me except out of the produce

of that additional pound itself. It was content to wait till that had borne fruit. So I could well afford to borrow. It cost me nothing." Corazza would go on to show you his beasts. He was very proud of them. Here were two draught-oxen worth 1,000 lire—the ordinary price of a peasant's bullock is somewhere about 200 lire. He never had a stableful like that in former times. These beasts helped to produce his maize and his cows fed Corazza's family with milk, and they fed, what he appreciated as much, his fields with fertility. "Put into the ground as much as you can," he said, having learnt, with the bank's help, a lesson in high farming. "Our soil wants it. But it will give it you all back."

Corazza had more to tell of the benefits of the bank in other households—real cases, which would bear inquiring into. There was such and such an one in the parish, the tenant of a farm—he had it still—of about twenty acres. It was wretchedly neglected. Everything was pawned, and the only person who got anything out of it was the usurer. It was a hard case. The man joined the bank, but the bank was at a loss how much it might trust him with. It advanced him £4. That sufficed to stop a hole. He repaid the money and borrowed more. [The bank at present lends no more than £30 to any one man. But that little sum may be kept continually coming and going, earning and repaying itself, giving the poor fellow £30 perpetually to work with.] The *quasi*-bankrupt of ten years before then had his farm in tolerable condition, he had six beasts of his own and £60 laid by in the Savings Bank. "Then why does he not use that instead of the bank money?" "No, no," said Corazza, "that would never do. What he borrows from the bank he knows that he will have to repay. So he is careful with it. He will cast over thoughtfully what an outlay will bring him back. Aye, we have learnt to calculate. The other money is far safer where it is now. It is a good security to the bank, and the man will not fritter it away."

There was another man with a similar holding. He was miserably poor. But the bank trusted him in 1883 with £8 wherewith to buy two calves. He had borrowed again. He

had put in a little here and a little there. He had then five beasts and about 1,400 lire-worth of belongings, instead of practically nothing, and was only 100 lire in debt to the bank.

Corazza had other cases to tell you of. There was that poor old widow woman, who carried fruit to Padua to sell. What with her poverty and her debts she never felt safe from day to day. The bank let her have a few pounds. That gave her the ground to stand upon. Her profits came to herself, instead of going to the usurer. She was soon quit of anxiety.

There was that small tradesman. He was a pauper, receiving parish relief. As such he was not eligible for the bank. But a kind friend lent him a little to get himself off the rates. The bank admitted him, gave him a few pounds to buy cheap wares with to hawk about. Some years after he had his little shop.

Nowhere has gold dropped down in great lumps upon the people. They have not made fortunes suddenly. But they have been helped to earn fairly and to live respectably. It is this "A little more, and how much it is!" this being able to get an extra pound or two to do a thing well which was formerly done badly, this power of drawing on a fund never failing at any time that an opportunity offers for employing it profitably, and this pressure put upon people to calculate what they are doing, which makes this bank so tellingly useful. The aspect of the farms whose tenants belong to the bank has been materially changed within the past few decades. There is order and tidiness where there used to be the neglect and slovenliness inseparable from penury. "We could not then eat such good polenta," remarked Corazza's wife, as you stopped to look at that huge mess of really appetising maize-porridge brought into the common room to serve as meal for the thirty-odd mouths, large and small. "We had to live on the inferior grain."

To see the bank at work in another aspect, come to the *municipio* to attend while the elected committee hold their sitting. There is the *sindaco* ready to bow you into

the room. These village mayors know the value of a village bank. It makes government easier for them. They help it by depositing municipal moneys. Charitable and friendly societies will do the same thing—at first, it may be, to help and strengthen the little bantling, but later certainly for safe keeping. As a meeting-place the *municipio* is always open to the bank. In some parishes—as in Vigonovo—the priest will allow the bank the use of the church. The committee meet every fortnight, or oftener, should occasion require. At Loreggia, Signor Wollemborg, as President, takes the chair. His brother, who, to save the bank expense, at the time spoken of discharged gratuitously the functions of secretary, sits by his side. And there are the other members. It is surprising what power of following business, of mentally seizing important points, and also, in a rustic way, of expressing themselves, this bank business will infuse into these simple village folk. It is their first education in public affairs. If there are still people who believe that what village folk want to arouse their interest, and educate them to better things, is "a circus and not a parish council," let them go to one of these village bank meetings, and see for themselves what a remarkably stimulating effect such council work has upon small rural folk. They take nothing for granted; they will have everything made clear. And, be the other man a squire or a day-labourer, they will argue the case with him thoroughly. At the general meetings, which are held twice or three times a year, to discuss the limits to be fixed for loans, the rates of interest to be charged and given, or any appeal from decisions of the committee, to elect the committee-men, the council-men, or whatever the business may be, there are debates which indicate real arguing power.

But the present is a committee meeting. There are candidates waiting for election. Election is no farce. Drunkards, idlers, evil-livers, and the like, the bank will not have. So, if there are any such who apply, they are rejected without much to-do. In a good many more cases than one have they come back as reformed characters to find themselves elected. Here is a market which pays value

for honesty and good conduct. Job is not expected to "serve God for naught." Hence that marvellous educating power which has made priests own that the bank in their parish has done more to make good men of their parishioners than all their preaching. And that is so not at Loreggia only. Abano, Vigonovo, Crema, Faller, and whatever other places possess banks, have all similar tales to tell.

Now come the savings. Here comes in a little girl with her few centesimi; next an old woman brings a few lire. There is a lad with his bare legs still all purple from treading the grapes in true Old Testament fashion, in a water-tight cart from which the juice runs out not over-appetisingly by a spout. He has earned a little money, and he carries the lira or two to the bank. These people all bring their savings themselves—not as a matter of distrust towards others, but as wishing to manifest their own keen personal interest in the common institution. This is altogether a different affair from the public office work of the Post Office Bank. This bank is to its members a living creature, whose pulse they may feel. Members do not come merely to bring their savings; they want to hear something of what is going on. They are entitled to see the balance-sheet, which is drawn up every fortnight at the close of the committee meeting, and hung up for view in the public room of the *municipio*.

After the receipt of the savings comes the consideration of applications for loans. As a rule, there is the *vacca*, or the *vitella*, or the *maiale*, to be bought—though the pig is not yet as much honoured in Italy as it deserves to be. Sometimes, in the place of a cow or a calf, there will be a goat. Or else the village wheelwright will want to buy wood, the shoemaker leather, and so on. Every case meets with careful consideration. Is the applicant trustworthy? Is his case good? Is the sum a legitimate one? Is the time proposed for repayment excessive? Are the sureties good? It may happen that the loan is refused, though such cases are not many. It may happen that the amount is reduced or the period curtailed. According as the committee decide, the applicant is advised, and then he may come with his sureties to receive the money from the cashier

in exchange for a promissory note, which runs only for three months, for whatever period the loan be granted—two years or more—in order that he may be compelled to employ the money as was stipulated. Should he fail to do so, the bill is not renewed.

It would be ridiculous to say that "Our Village Bank" has brought about the millennium in Loreggia, or anywhere else. But it has brought the local people very material and welcome help. It has sent the usurer to the rightabout. He has left the place discomfited. It has taught members to bank their money instead of locking it away in a drawer or hiding it in a stocking, where it could not possibly do any one any good. It has taught them to calculate the profitableness of their enterprises, and made them familiar with simple accounts. It has added a fresh stimulus to thrift. It has brought public opinion and class opinion to bear upon people in the most effective way—stimulating, checking, restraining. It has made the people better men and better neighbours. Where there used to be grudging and envying, ill-concealed delight in another's troubles, there is now fellow-feeling—because people have learned that they are bound together by a common interest, that their neighbour's hurt is their own, their neighbour's good their profit.

I will not say that to an untrained eye the difference is likely to be very striking. But any one acquainted with agriculture will be pretty sure to detect the contrast between an Italian village which has no bank, and one in which such a bank has been at work a few years. Where there is such a bank, cultivation is sure to be better. Once more to quote Léon Say:—"*La petite culture se développe avec une énergie croissante et les opérations de crédit agraire du réseau des petites banques ne sont pas un des moindres encouragements donnés a cette petite culture.*" Crops look cleaner and heavier. The live stock are better kept. The buildings are in better repair. There is, generally speaking, less poverty, a look of greater prosperity about both people and farms; and if any visitor has time to look into the social life of the village, he will find that there is a good deal more still to distinguish

a "bank" village from an ordinary one, even apart from increased economy, sobriety, thrift, and saving. There is a cleaner, healthier, more brotherly colouring given to life.

"As deposits grow," so wrote the late parish priest of Faller, Don Filippo Poletti, "the taverns are forsaken." Neat houses spring up where there used to be hovels, gardens are seen carefully trimmed, the live stock become the peasant's property, and everywhere the usurers find their occupation gone. "*Tout cela,*" writes M. Rostand, after his second visit of inspection, "*c'est bien la réalisation pratique de l'idéal coopératif au village. Il n'est pas possible que par l'union, l'esprit de la solidarité.*" "In truth," he goes on, "this second visit has satisfied us more and more that the small co-operative institutions with unlimited liability possess, along with their practical utility, manifest on the face of them, a social utility peculiarly worthy of notice. Freed from usury, the peasantry have regained courage and confidence." One more testimony I quote from Dr. de Portis, the surgeon practising in Loreggia, with regard to the *cassa* in his own village:—

"The peasant who previously, helpless and forsaken, proved a ready prey to the most shameless usurer, and had no choice for himself but between extreme misery and dishonesty, has now risen to a sense of human dignity. He is proud of being a member of the Association, and of taking part in its management. In it he acquires a sense of self-respect, of independence, a love of work, of honesty, and punctuality. Usury finds its occupation gone. The usurers themselves are compelled to acknowledge the good done by the Association, though they have to leave the district. Our peasants declare, 'We mean to bring up our sons with a love of work, in order that they may take their place among the *galantuomini*.'"

Does it not make one's mouth water to read of the magician's work done by these "*attachantes institutions, dont l'humilité est la beauté*"? It is all so modest, so simple—so small, if you will. It is all purchased with personal pains, with watchfulness, care, and scrupulous thrift. There are as yet none of those millions which make M. Luzzatti's work so imposing, none of those marble palaces to house People's Banks and masses of gold accumulated. But the

persons whom the beneficent work has enriched could not possibly have been reached by any other agency. The happiness diffused, the culture spread, the prosperity of which as yet really only the seeds have been sown, but sown surely, are likely to weigh as heavy in the balance of success, when accounts come to be cast up, as the much larger riches more easily accumulated, where populations are dense, and the materials of wealth lie all ready to hand Brick upon brick, "here a little and there a little," the structure is being raised, which is likely to stand all the more enduringly, and the more securely, and to prove the better stronghold of thrift and wealth, because every inch of it was raised by an effort, and cemented with virtues and sound principles instilled.

If more Englishmen would go and study the work of these banks on the spot, as I have done at Loreggia and elsewhere, I doubt if our own villages would much longer remain without so useful an institution, which has only to be seen to be appreciated. Before the proper appreciation of its work, such as seeing would bring with it, the supposed difficulties would melt away like wax.

Like the Raiffeisen system in Germany, Dr. Wollemborg's has given birth to several distinct offshoots—in the main two, both being founded alike on the provisions of the *Codice di Commercio*—leaving out of account an indeterminate, but not very considerable, number of societies formed under the *Codice Civile*, as well as the State-promoted societies now labouring for success. There is happily no *junker* element in Italy, to adopt the peculiar *quasi*-Raiffeisenism which has proved so potent in Germany. But there are "Catholics," and there are Savings Banks—savings banks independent of the Treasury, which consider it their duty, instead of locking up their funds and employing them solely "to appreciate Consols," to do good among the poorer population and to spend some of their overplus in educational and wealth-diffusing work. They have, among other things, rendered yeoman's service to the *Casse Rurali*, as well as to the *Banche Popolari*, in providing substantial sums for them by way of loan.

Some quarter of a century ago, or, in truth rather more, it occurred to M. Poncini, the philanthropic and very active President of the large Savings Bank of Parma—which among other excellent services rendered to agriculture, has introduced the "moving lecturer's chair," the *cattedra ambulante*—that his bank might with advantage to the public act directly, as well as indirectly, for the diffusion of popular credit, coupled with more extended technical instruction. We shall see presently in what similar manner the same idea has been carried out by well-intentioned savings banks both in Belgium and in France. "Form your village banks under our rules"—rules, that is, which in all essential features are on all-fours with those recommended by Dr. Wollemborg—"give an undertaking that you will contract no debts with any other financial institution, and will submit to our supervision and control, and you shall be allowed to draw upon us for the money which you may require, within certain limits." That is practically what the Savings Bank said to its intended beneficiaries; and the offer was expected to help the infant banks over all initial difficulties of formation and practice. At the outset such banks were required to deposit their surplus funds with the parent Savings Bank; but that provision appears to have been abandoned as unnecessary.

The principle here set forth is, in effect, the same principle as that embodied in the Prussian State-aid scheme, with this distinct improvement, that the money-providing authority is not the State, but a private institution. However, it is still a body to which small sums of money may be presumed to be of no account, a "little Providence," which in addition, keeps the banks in a state of dependence. The appeal to members of such banks to work strenuously for their own economic uplifting comes in such form in a very enfeebled shape. It is a totally different thing to providing money in a business way for a little organization which retains its full independence and pledges its full responsibility. There is in this method of procedure a *sous-entendu* of patronage, which is rather out of harmony with the "co-operative" aim of evoking manly effort. For a long

time the results continued insignificant, and it is only due to the vigorous exertions of the late deputy Signor Guerci that the "neutral" *casse*, as they are called, made a little better headway as time went on—but only within their own circumscribed district of Parma—in perfect amity with Dr. Wollemborg's *casse*, although, of course, much inferior to them in numbers, and scarcely their equals in educational efficiency. There are, however, no figures to quote from to show what is their present strength. It does not amount to much.

A very much more important movement, initiated in imitation of Dr. Wollemborg's rural *risorgimento* was that which has become known as distinctly "Catholic." The "Catholics" and the "Liberals"—that is, the "Catholics" submitting unreservedly to the authority of the Vatican, and the Italians, catholic and otherwise, who decline to render to the Vatican more than what, in their opinion, is due to it—keep up a merry fight, in co-operation as well as in other matters. Wherever the one party "erects a house of prayer, the other surely builds a chapel there." So it is in the matter of rural co-operation, aiming at stores, and production, credit, dairies, vintries, and common renting of land, which the Socialists are actively setting on foot. Wherever the Socialists start a "society" of the sort, the "Catholics" at once respond by forming a "union," which is to do the very same thing under the Church's authority and encouraged by the late Pope's bull *Novarum Rerum*. To such point has this rivalry been carried that the "Catholics"—like the Belgian Socialists led by MM. Anseele and Vandervelde—have their *Maisons du Peuple* (*Casse del Popolo*) —most notably so in the papal stronghold of Bergamo—to "take the shine" out of the *casse* slowly being formed by Signor Garibotti and his friends. And they have added to the co-operative programme—with very good results—on their own authority, the services of housing combined with life insurance, which leaves the borrower's family free of debt, but in possession of their house at his death; and also the helpful co-operative wine-pressing societies, of which I am glad to think that Don Cerutti first learnt from

my writings. Both these additions have proved decidedly serviceable. Competition has indeed proved helpful in furthering good work. It is, of course, keenest between "Catholics" and Socialists. But there have been pleasant bandyings of such terms of endearment as "Belial," and—I forget what the precise word was, used in answer to this—also between "Catholics" and the strictly neutral co-operators who follow M. Luzzatti; and that after I had fondly flattered myself that I had acted successfully as peacemaker, inducing M. Luzzatti, always large-hearted, to invite Don Cerutti to meet me at his hospitable table. Seeing how very conspicuous a part the parish *paroco* has played everywhere in the promotion of village banks, it cannot create surprise that the "Catholics," acting through their leader of those early days, Don Cerutti—at the time assistant priest at Gambarare, close to Venice—should have turned their attention very pointedly to village banks. Here was the very chosen adjunct to the faldstool and the confession box, intended so by its first inventor in Rhineland, and commended in all quarters as the natural ally of the pulpit. Don Cerutti's parish lay in the midst of a district not unfruitful, but neglected, backward, undeveloped. The fields and vineyards were sighing for fertilizers, and for better cultivation. The peasants' cottages were crying out for comforts, and even for mere necessaries of life. In 1889 things looked particularly black, because, on the top of other distress, the grape crop had failed, and its failure brought ruin upon many a little household. Don Cerutti resolved to put his hand to the plough, and no doubt his ploughing has been to some purpose.

On February 26, 1890, he founded his first "Catholic" bank. It did not really begin work till July 1. The bank was a modest institution enough to begin with, with only twenty-six members on its roll, including three priests, the village doctor, the village chemist, three owners of tiny freeholds, an artisan, two employees, and fifteen small tenants. There was not a stiver in the bank's possession. All the money which was to be lent out had first to be borrowed. Friends put in some deposits. The Savings

Bank of Venice granted a loan at a rather high rate of interest, viz., 5¼ per cent. With such help the bank managed to deal out in the first half-year, at 6 per cent. interest, about £370 in thirty-three loans. The greater portion of this money went for the purchase of stock and poultry, about £62 for farm work, £48 in loans to small tradesmen for stocking their shops, and, lastly, £20 for household purposes. At the outset the bank limited the borrowing powers of any one member to £20. The figure was subsequently doubled. The maximum of aggregate lending authorized at one time, I believe, still stands at £1,400. The whole business is small, modest, and unpretending. But the help given is sufficient for the humble purposes for which it is asked. And it is self-earned. In point of time the limit laid down for loans is three years as a maximum. But there are many short loans down to a month. By a very judicious provision, borrowers repaying before the time stipulated are allowed a rebate in the interest. To make ends meet, expenses had to be kept down to a minimum, and actually not a centesimo was spent in fees or salaries to officers. Nevertheless the first year's working, very accountably, resulted in a loss—a very trifling one—somewhere about 16*s*. Since then there has—within the limit of the information received by me—always been a surplus, small but sure, which, lira by lira, accumulated in the first three-and-a-half years to something like £36, a tiny reserve, all that the bank actually possessed, but a sum never to be shared out. It was the bank's collective property, and belonged to the bank alone. The next year the bank did better. Increasing success secured it more funds, more supporters, a larger business. I am not in a position to state its precise present strength—my friend Don Cerutti has long since become Vicar of Murano—but I will give a few instances of its work. Here are three, taken from the bank records. A poor cottager was in distress for money wherewith to pay his rent. He was £14 in arrear, and the landlord would hear of no further delay. What was the man to do? The only property on which to realize were his two cows—his very bread-winners—ill-bred beasts that our farmers would scarcely

have deigned to look at, but which meant very much to him. That would be draining a well to slake a moment's thirst. The bank stepped in, took security—thereby compelling the borrower to husband his means and lay by from his weekly earnings. And within four months the cows had paid off the debt, with interest, out of their milk. Another poor fellow was in a similar dilemma, with his Martinmas rent due and no money in his stocking. There were a hundred quintals of hay to sell. But the price was, in November, only 3.25 lire per quintal. If he could but tide over till Spring! He enrolled himself a member of the bank, obtained a loan at the rate of 6 per cent., and in May sold his hay at 5.25 lire the quintal, thus saving 200 lire by the transaction. Lastly, there was a poor widow who wanted to buy a pig. The village Shylock was ready to advance the money at his usual moderate rate of 5 lire per month, and the principal of 30 lire to be repaid within a year. That is at the rate of 200 per cent. Why not join the bank and borrow at six, asked Don Cerutti? Why not, indeed? The woman took the advice, and within a few years found herself nearly 60 lire in pocket. These are petty savings, it may be said. But they mean a good deal to the people by whom they were made. For "little things are great to little men."

Here is an analysis of 783 loans granted by the Gambarare Bank, with the object and amount of each set forth:—

	Loans.	Lire.
Purchase of breeding stock . .	155	28,890.45
Purchase of draught cattle . .	53	12,360.20
Seed, breadcorn, etc. . . .	32	4,730.00
Poultry for fattening . . .	35	1,167.36
Sulphur and vitriol for vineyards.	290	5,861.81
Insurance (hail)	112	2,798.40
Purchase of land . . .	1	800.00
Household requisites . . .	46	6,470.85
For trading purposes . . .	27	6,215.05
Land improvements . . .	32	9,050.05
	783	76,044.17

Since Don Cerutti began his work, which soon earned him the Vatican's particular blessing, "Catholic" village

banks have made way fast. It is not possible for me—perhaps at the present moment not for any one outside the Vatican—to give precise figures with regard to their number and strength. The movement has become, organically at any rate, rather decentralized by dioceses than united. The societies of every diocese group themselves together, placing themselves under the authority of the episcopal See, and manage to provide for their own funds locally. A "Central Bank" was formed a fair number of years ago at Parma. But it found its services rarely in request. The movement as a whole maintains a common, not very pretentious, journal. But—except for what the Vatican might direct—united action has only recently gone further. The Pope formally, in rescript dated January 25, 1910, pronounced his Apostolic Benediction upon the new Federation, provided that it shows itself *apertamente e schiettamente* "Catholic." Diocesan "Federations" can adopt whatever rules they severally choose, making them binding on their own banks only. According to statistics collected for June 30, 1909, there were then about 1,200 "Catholic" village banks, among 1,680 village banks altogether, all of which are governed by the same law, the *Codice di Commercio*. But it is some time since the *Cooperazione Popolare*, the "Catholic" co-operative journal, proudly announced: *siamo* 1,600; and since then Professor Bertone has gone so far as to claim 2,000. Since banks are allowed to form also under the *Codice Civile*, which exempts them from the obligation of sending in returns to Rome, probably one of the higher figures is correct enough. On an invitation issued at a "Catholic" Congress held some years ago, a rather powerful "Federation" of "Catholic" banks—both *banche* and *casse*—has been formed, which unites the entire group of "Catholic" credit institutions in one organization and, so acting, exercises not a little influence. An inquiry instituted in the summer of 1909 by the *Federazione Italiana dei Consorzi Agrari* showed that of 1,608 village banks then brought under survey, as many as 1,238 were situated in northern Italy, only 112 in central Italy, and 258 in the south. That is practically the same tale as has been told with regard to

the *Banche*. It is the North which is "the birthplace of valour and country of worth."

There is nothing essential to distinguish the "Catholic" *casse* from other similar institutions, although, as already observed, there is no complete unity of practice among them. Practice varies according to the particular diocese, and I did not visit every diocese. Like the other village banks, the "Catholic" have generally, or pretty generally—in order to be on the safe side, in view of a doubtful law—adopted the principle of making membership dependent upon the taking up of very small shares, the fixing of the amount of which is left to the discretion of each diocese. They carry all surplus to reserve only until the total assets of the society equal a prescribed fraction, say, one-twentieth, not of the share capital but of the liabilities. After the assets have become equal to, say, one-tenth, only half the annual surplus goes to reserve; but the balance is not distributed in dividend—not necessarily so, at any rate—but is applied to purposes of common utility, as the Committee may determine. On the dissolution of the society the reserve fund is not to be shared out, but to be applied to some kindred object of common utility. Each society is at liberty to fix for itself the number of members to compose the *Consiglio Direttore*, that is, the Managing Committee. The institution of a *sindacato* is borrowed from the other village banks, but that body interferes less in the management, confining itself to reviewing the *Consiglio's* work. The "Catholic" banks combine common purchase of agricultural and household necessaries with the dispensing of credit, and find it answer. Like the agricultural co-operators of Eastern Switzerland, they may be doing this with the distinct aim of preventing their members from enrolling themselves in the urban co-operative stores, which are to some extent—at any rate in a good many cases—marked by socialist proclivities.

The great point in dispute, upon which the specific value of the "Catholic" village bank must turn is that of their alleged subservience to political ends under the direction of ecclesiastical authorities. Among non-"Catholic" co-

operators the entire apparatus is regarded as soaked in clerico-political influence. The object of the Curia is said to be—whether the members of village banks are aware of it or not—to "create by means of economic organization a powerful 'faggot body' (*fascio*) of 'Conservative' electors ('Conservative' here stands for 'clerical,') and in such way to possess itself of power as against the Government, by means of which, once the 'Catholic' and clerical party comes to be sufficiently strong, to obtain concessions in favour of the clergy and the Church." An official writer, directly representing the Government and well acquainted, owing to his position with what is going on, says with regard to these banks: "The explicitly religious character given to these societies has not failed to manifest itself as a political force of the very first order and as a powerful instrument in the hands of the 'Catholic' party, since that party, by means of 'Catholic Congresses,' has made itself the public proclaimer of rural credit co-operation, gathering together proselytes in little time throughout the whole of Italy in innumerable denominational village banks, which have in course of time grouped themselves in local, regional, and diocesan federations."

Against this it may be urged that the "Catholic" bank rules, although insisting that every member should be a *bonâ fide* Roman Catholic—*praticare la religione cattolica*—yet lay it down that there should be no political object—*qualunque fine politico*—in the bank.

Who is to decide when the object in dispute is not one of fact but only of intention?

Certainly one may be thankful that the fear of the "Catholics" has led the non-catholics, in two distinct branches of the movement, to compose their differences and to join forces for the common good.

Looking at facts as they are, one may be equally thankful that through the agency of the Church the blessings of Co-operation, not in the matter of credit alone, have been brought to the doors of hundreds of thousands of poor country folk who sadly needed them.

What with Wollemborg banks and "Catholic" banks, a

very considerable portion of Italy is now occupied by what has already become a little army of village banks. Doubtless the *casse rurali* are destined to multiply still further—much more rapidly as time goes on. They have the same satisfactory tale to tell of success and good work, accompanied by almost an entire absence of losses, which makes the position of their prototypes so triumphant in Germany. They have shown themselves remarkably adaptable to Italian habits and circumstances, and have in many a village proved a veritable godsend to the population, which under the crushing heel of usury had lost all pleasure in life and hope for an earthly future. If rural Italy is to be regenerated and made prosperous once more, this evidently is one means by which it may be made so.

CHAPTER XIV.

CONGENEROUS ORGANIZATIONS.

GENERAL as has been adherence in the extension of the Co-operative Credit movement, at any rate in main features, to the recognized two standard types, in the shape of adaptations, there are one or two organizations which appear to claim to be classed separately as not being directly derived from either of the two parent plants.

Among such, the first mention is due to the Co-operative Credit movement of Switzerland which, however, although in no wise intended to follow the Schulze-Delitzsch example, yet in more features than one very nearly resembles it. Nevertheless, that banking bears the impress of independent indigenous growth.

Its distinguishing features are strictly businesslike organization and conduct. There is no trace of altruism in it—not even that Italian safety valve of *prestiti sull'onore*. The Swiss—even when not hotel-keepers—are extremely businesslike. They know the meaning of profit. And they know the value of money. Accordingly the art of labouring for wealth is among them highly developed.

Coming into Switzerland, you gather at once the impression of entering into an atmosphere of "Thrift." "Thrift" is taught in elementary schools. There is probably not a school there in which children are not trained to the habit of saving, and so taught to save up their *rappen* (*centimes*). And as they advance in their schooling they do so likewise in their practice of thrift, laying by in more pretentious societies, many of which are so organized as to secure to the outcoming pupil, on the strength of his savings, a share in a full-blown thrift and credit society, in which he remains a permanent member, as a beginning capitalist

Thrift is in Switzerland a carefully studied and eventually mastered subject. Swiss Savings Banks may, generally speaking, serve as models. They are by the law left free to do what they please with their "capital." And they lay it out well where it will fructify, and in consequence are in a position to remunerate it well. And as a result, much money comes to them, not only from their own country, but, across the frontier, from France, where Savings Banks are, as among ourselves, kept in tight leading strings by the State, for the State's profit, as appreciating Consols, and can accordingly pay only a moderate interest.

By the side of Thrift, Credit and useful employment of money, the Swiss also reveal a natural bent for common action in other matters, wherever such promises advantage. Their geographical and political position almost compels them to this. Weak by the smallness of their country, they have rendered themselves strong by union. And if in what is technically termed "Co-operation," they appear generally to lose sight of those ideal objects by which we in this country set so great store, one reason probably is, that by their social and political relations they are so much compelled to brotherhood that they do not seem to need a separate agency to bring such about.

Somehow, accordingly, ideally high-aiming Co-operation will not flourish among them. Those little Raiffeisen societies of about thirty years ago led a struggling dead-and-alive existence. The little cluster—considerably larger, but still only small—now operating under the protecting, very controversial benison of the Church, seems but a poor little handful. On the other hand the Swiss understood good business and also class interests thoroughly. Distributive Co-operation is strong among them. In Basel it embraces almost the whole of the town population. But it is strong only as a means of cheapening supply.

As for class feeling, the peasantry act well in common in their *Bluernbund*, which is a strong, almost a dominating factor in the political machine

By the side of Thrift, and partly as developing out of it, the useful employment of money secured, and accordingly

the practice of Credit, have grown up lustily. Ordinary Swiss banking enjoys a worldwide reputation. And Credit has been facilitated in the Federation in ways which we scarcely know of.

What has in Switzerland in the matter of Credit facilitated business greatly for borrowers is the very convenient organization of mortgage credit, which makes such credit available, on the security of real property, at very small cost, down to very small amounts. Had we in this country compulsory registration of title, we might possess the very same facilities. Also, ordinary banks are exceedingly accommodating. And the Savings Banks have, as already observed, the power to lend on personal security—and use it. Moreover, there are *Unions du Crédit* in the country, modelled after the Belgian type, which seem much in request. More, however, was felt to be called for. Obviously *Union du Crédit* credit is not applicable in all cases. Mortgage credit, however easy and convenient it may be, cannot quite shake off its cumbrousness and is, after all, useful only for certain distinct purposes.

Co-operative banking in Switzerland is in its methods altogether of a piece with ordinary banking. The only difference is that the borrower is in their case also the lender and therefore the drawer of profit earned out of himself, and that, moreover, he has in his co-operative bank a *right* to credit, which no one can dispute.

Swiss co-operative banking, as already observed, in some salient features bears a strong resemblance to Schulze-Delitzsch banking. So it is in the matter of large shares. The shares of the *Schweizerische Volksbank* figure at 1,000 francs—about £40—apiece, to be paid up at the rate of at least 25 francs per annum, which gives a shareholder forty years in which to clear off his debt. More than double that time used to be allowed. However, as a rule, the shares are paid up promptly—which shows that it is mainly business men who use the bank, rather than poorer people. The number of artisans, working-men and other small folk is only 4,287 among 69,206 shareholders.

However, the movement began, as observed, with the

study of Thrift. The *Ersparnisskassen*, which may be said to be a speciality of German-speaking Switzerland, served as pioneers. Their object is to make depositors create capital for themselves by "fixing" their deposits up to a time when there will be sufficient lodged to pay off the share. The shares are then "bought in." However depositing goes on. The *Kasse* has thus become an institution with a share capital without shareholders. There was a society of this sort formed in Konolfingen in 1828, which has long since "bought in" all its shares and which some decades ago already held something like a million sterling entirely of its own, which was invested either in loans or, to a smaller extent, in securities. The *Ersparnisskasse* of Berne held a still larger capital, besides about £40,000 reserve funds. The *Ersparnisskasse* of Aarberg, founded as long ago as in 1812, at the same date held about £400,000 capital and £80,000 reserve.

Next there are—as a different type of thrift societies, still active promoters of thrift—the *Spar- und Leihkassen*, with rather more ambitious aspirations. Both these types of societies are all along—just like the free Swiss Savings Banks—active in the supply of small popularized credit. And so are the *Cantonal Banks*—the oldest of which, that of Berne, was founded in 1834—which are maintained as public institutions, for the public benefit. In the study of that object they go so far as—to name one, the *Cantonal Bank* of Zurich—to provide popular credit even at a loss—that is, at public expense.

There appeared, then, to have been fairly liberal provision made for popularized credit even before Co-operative Banks appeared on the scene.

More, however, was felt to be called for—something more readily accessible, more elastic, more responsive to daily wants. Among other callings Agriculture clamoured for more. Switzerland is not nearly to the same extent an "agricultural" country that it used to be. Its agricultural population has shrunk to 33·25 per cent. But all the same Agriculture still constitutes an important interest, more particularly peasant agriculture practised in holdings under

12½ acres. When provided with adequate working capital that is also found to be the most remunerative. It has been calculated that out of such small holdings the occupier manages on an average to net 650·95 francs (more than £10 8*s*.) of profit per acre, whereas cultivators of 12½ to 25 acres net only £10, cultivators up to 37½ acres £8 8*s*., cultivators up to 75 acres £8 3*s*., cultivators of larger areas only £7 11*s*. By means of a protective tariff, which they were successful in carrying some seventeen years ago by means of a referendum, the peasantry manage to obtain prices for their produce—more particularly for meat, milk, and milk products—which are so inconveniently high for the industrial population as almost to compel the latter in self-defence to combine to co-operative distributive societies, the number of which under such stimulus increases by several hundreds every year, and the business of which goes up by leaps and bounds. That, once more, has set the farmers intensifying their husbandry, which, again, with the aid of Co-operation,—applied even to the collective maintaining of herd-book herds—now stands distinctly high. However, for that improved high farming further money is required. Cantons and "communes" endeavour to do their part towards providing such, sometimes on a large scale. Thus there is a credit bank for the *arrondissement* of Burgdorff, which, provided with a capital of guarantee of 101,000 francs, ministers to the needs of twenty-five surrounding communes. In some other cases the "commune" takes an unlimited liability. There are furthermore credit banks directly "run" by "communes." And there is a quite peculiar institution which has become very common in Thurgau and Zürich and there renders very acceptable service.

Co-operation in dairying may be said to be in Switzerland "as old as the hills" upon which to a goodly part it is carried on—although the particular type of co-operative dairies which have served first Denmark and eventually ourselves as an instructive model, had their birthplace, and still have their home, in valleys. However, on the mountains there is of necessity collective herding of cattle

of many owners, and also co-operative cheesemaking. The value of the cow, which is the pivot upon which Swiss husbandry turns—as the pig is for Irish cottage farming—suggested to the small peasantry being short of cash, but seeing their opportunity of earning an income and living together in neighbourly amity, the practice of purchasing cattle with borrowed money—which it was to pay off out of its own yield of profit—by the pledging of collective security. This is done by means of the *Viehleihkassen* (*Caisses Thurgoviniennes*) established in the two cantons of Thurgau and Zürich, of the methods of which I gave a full description in the *National Review* of October, 1894, under the heading of "The Poor Man's Cow"—thinking that at the time that practice might commend itself to our then newly formed Parish Councils.

There are in the Canton of Thurgau about forty such cattle-purchasing associations, one for a "commune," no matter whether that "commune" have but sixty inhabitants, or close upon 2,000. For more than fifty years have these *Caisses Thurgoviniennes* kept the inhabitants in bullocks and milch cows, receiving their money back in full and, on the whole, punctually.

For a long time the communes acted entirely for themselves. Only quite lately has the Cantonal Government voted subsidies to the amount of 1,500 francs a village, not by way of necessary assistance, but as an encouragement to the extension of a useful practice.

The *modus procedendi* is really very simple. The commune—which often enough consists of more parishes than one—by a vote of its inhabitants, resolves to raise a fund by loan. Out of that fund any villager who can make out a case and show that he really desires to buy a beast, and has keep for it, is entitled to receive an advance. He must enter into a bond to repay the sum, with interest, by regular instalments, and also not to buy from anybody else on credit. That done, he receives his money, and may buy wherever he chooses, paying cash. Should he fail in any of the duties undertaken, his loan is at once declared forfeited, and repayment is enforced. For the debt contracted by the

"commune" of course the "commune" is collectively responsible, which involves unlimited liability on the part of every parishioner up to the amount of the debt. The needs of different communes naturally differ according to circumstances. In 1889 the little village of Wattenweil, having only 140 inhabitants, lent out 4,750 francs, the larger village of Marweil (311 population) 5,980 francs. The repayments in these two cases amounted to 3,980 francs and 4,597 francs respectively. Sometimes the fund raised proves excessive, at other times insufficient; but the difference is never very great.

Some years ago, when I was in Thurgau, there was in all about 550,000 francs owing, which may have stood for 2,000 or 2,500 cows, purchased, for the most part, with borrowed money. Tägerweilen alone had about 600 or 650 cows standing to its credit. The *caisse* of Illnau, in Zürich, which was then newly established, had already purchased 800 or 900 cows. The consequence is that, as the chairman of one of these *caisses* remarked to me, three cows are now kept where there used to be one. And the whole country is richer by its cultivators' prosperity. The funds are kept in a state of equilibrium by moneys coming back, and the losses are infinitesimal.

However, the industrial population likewise was thought to stand in need of additional help. Switzerland is one of the chosen homes of small trade, the character of which, indeed, changes, as large factory work elbows its way into its preserves, but which nevertheless as a whole manages to hold its own. Of the 3,500,000 of the total population of Switzerland, some 100,000 persons were found, at the last census, to be actively engaged in domestic industries alone, working for their own account or else for that of some among themselves, in 70,873 little establishments, which represented 12·4 per cent. of the entire number of establishments of such particular trades. The industries so pursued are above all things weaving, spinning, embroidery and tailoring—with watchmaking (which is now yielding ground to factory work), strawplaiting (which is likewise giving way), shoemaking, jewellery, glovemaking, and woodcarving

following. For this interesting and picturesque class of industry the supply of working capital and of facilities for tiding over bad times, collecting sums due, and the like purposes, supplied by Co-operative banks, are of the utmost importance.

Probably only Co-operation could have been found equal to the task.

Co-operation has in Switzerland, as a successful promoter of business, under skilful handling, indeed, found a fruitful field to till. Apart from the two hundred or so little Raiffeisen societies newly formed under Church rule, the country possesses about a hundred and sixty at any rate nominally "co-operative" banks, the real claim of which to the title assumed it is indeed not quite easy to determine. For under the Federal Act of 1883—which has reduced the chaos[1] previously prevailing to something like order—there are not a few societies registered as "co-operative," which are by no means so—against which may be pitted a possibly equal number of "Joint-Stock Companies," which could very well pass muster as "co-operative" organizations. Whatever be the number of such banks, they yield in the main excellent results as business institutions, the *Schweizerische Volksbank* (*Banque Populaire Suisse*) easily taking the lead.

That Bank, which was formed nearly sixty years ago, is probably the oldest among Co-operative banks of the country. Organization varies in these banks. Only two among them—that of St. Gall and that of Thal—have adopted unlimited liability. Some few really have no share capital at all, but a guarantee given by communes or public institutions. Shares, as a rule, run from 200 to 500 francs, but there are one or two banks with 2,000 francs shares, and also others with only 10 francs. There are some which allow a member to take up only one share; others permit more, up to—in one case only—200. Voting is usually per member; but one or two small banks have

[1] Similar chaos, in respect of the same matter, is now dominant in the much larger republic across the Atlantic, where every State has its own "co-operative" law—or else has none. The progress of Co-operation would probably be much facilitated if legislation upon it were made a Federal matter.

adopted voting per share. Government supervision of these societies was extremely lax, and control became only nominal, while legislation rested with the cantons. Since 1883 a Federal law has placed the societies under very much more stringent surveillance, which has improved their status, and, with it, public confidence in them. There is no kind of union among these banks, and hence, among other things, there are no statistics. Hence, also, there is a considerable variety among them with regard to business principles and transactions.

To quote a few—there is the *Handwerkerbank* of Basel, with a share capital of 10,000,000 francs and 3,450,000 francs reserve fund, which specially studies the interest of small trade, and, among other things, makes advances on the security of goods exhibited in the permanent Industrial Exhibition of that city. Another society, in the same city, the *Gewerbebank*, has only 1,000,000 francs share capital. It advances a fair amount of money for building purposes, but is in such business exacting in respect of security, which helps to make building transactions sound. There is a *Gewerbekasse*, very similar to the *Handwerkerbank* named, at Berne, with only 300,000 francs share capital, a *Volksbank* at Interlaken, a *Bank* at Langnau, which was originally a branch of the "Schweizerische Volksbank." At Geneva there is the *Banque populaire genevoise*, formed in 1868, with 1,726 members, 2,602,150 francs share capital, and above a million francs reserve fund, which grants cash credits freely, and, next, the *Coopérative genevoise*, formed a year later, with about 600 members, 462,600 francs share capital, and 112,000 francs reserve fund. This bank allows members to draw upon it at their pleasure up to half their paid-up share capital. The *Kreditgenossenschaft des Aargauer Gewerbevereins* at Baden, formed only in 1907, goes further in this not over-secure practice, allowing members to draw up to 500 francs in respect of each paid-up share of 150 francs held, which involves liability up to 400 francs. The *Genossenschaftsbank* of St. Gall, already mentioned as one of the two only banks having unlimited liability, is maintained by a "Christian-Socialist" society and is—according to its

prospectus—" destined to become the backbone of all the Christian-Socialist organization in Switzerland." To a great extent it really acts as Central Bank and endowment fund for the Raiffeisen village banks, which have only quite recently made their way into Switzerland.

The most ambitious of the minor banks at present spoken of is the *Neue Kreditgenossenschaft* of Zürich, which was only formed in 1908, and proposes, having a share capital of only 66,500 francs, to render a great variety of services to the class of smaller tradesmen and artisans, assisting them in purchasing real property, in obtaining mortgage loans, in granting personal credit, and placing banking facilities within their reach.

However, the leading specimen of Swiss co-operative credit institutions which more or less indicates the character of all, without question is the *Schweizerische Volksbank* (*Banque Populaire Suisse*), which within fifty years has worked itself up into a most commanding position, overspreading the whole of its country.

The *Schweizerische Volksbank* was formed in 1869 with only fifty-three members to begin with and a share capital of 2,627 francs (£105). At the close of 1918 it numbered 70,735 members, 34,888 being women, with 69,788,194 francs share captail paid up, with 14,300,000 francs reserve fund, and an annual business steadily increasing by thirty or forty millions every year, and which in 1918 stood (on one side of the balance-sheet only) at 628,873,902 francs. The bank has its headquarters at Berne and maintains seventeen branches: Geneva, Basel, Fribourg, Zurich, St. Gall, Winterthur, Montreux, Lausanne, Uster, Saint Imier, Tramelan, Porrentruy, Wetzikon, Moutier, Delémont, Bienne, and Saignelégier; several with sub-agencies. Its staff of employees numbers 979. Its membership is decidedly "popular," consisting of 35,559 men, 34,888 women, and 288 societies. Among the members 6,759 (1,751 women) are artisans working for their own account; 3,378 (342 women) are agricultural cultivators and market gardeners, with 267 (87 women) assistants or labourers to complete the agricultural quota: 4,285 (1,409 women)

are simple wage-earners; 5,618 (1,735 women) are commercial employees; 2,991 (319 women) are employees of railways, posts and telegraphs; 5,735 (708 women) are small traders; 2,851 (18 women) manufacturers, architects and contractors; 2,686 (1,220 women) are tavern-keepers, jobmasters and cafétiers (including assistants); 8,964 (2,144 women) are persons of liberal professions; and 26,913 (25,591 women) are persons of no occupation.

This bank is exceedingly businesslike in all its transactions. For lending it favours cash credits, which exhibit a marked increase from year to year. At the close of 1918 it had 223,967,724 francs so employed. In addition, it had in that year discounted bills to the amount of 604,804,103 francs, besides lending out 835,328,471 francs in specific advances. Its position must be pronounced thoroughly sound. It raises its money partly by cash balances on current accounts, standing at the close of 1918 at 1,015,636,262 francs; partly by saving deposits, standing at the same date at 104,410,683 francs; and partly by debentures, standing in all, at the close of 1917, at 223,523,500 francs. The proportion of its own capital employed stands at about 19 per cent. of the total employed.

The organization of this bank is interesting, because it covers a large area with a variety of interests. It is thoroughly representative. Every branch possesses its own locally elected and responsible Council of nine, with its own chairman, managing director, secretary and so on, and also its three *censeurs*, acting as a Council of Inspection. At the head of all stands a Council of thirty-two with sixteen substitutes elected, temporarily to fill vacant places, supplemented by elected delegates from the various branches, proportioned in number to the relative importance of each branch, the collective number of whom stands at about 120, one representative being eligible for every hundred members. There is an executive body (*Direction générale*), of course, composed of five members and two substitutes, and a managing Director-General, with an adequate staff, moreover, three *censeurs*, with one substitute, who attend to the daily business. Thus every branch manages

its own local affairs under the vigilant control of head-quarters, and there can be no uncertainty about the proper organ to which to address oneself. The branches are regularly—and also irregularly—visited by the Director-General and his officers. All accounts are reviewed by the local *censeurs*, and afterwards come up for further review by the *censeurs* at headquarters. In this way the whole organization is fitly joined and compacted, every part being in its place and contributing its share to the common work.

The *Schweizerische Volksbank* has proved an inestimable benefit to the trading and agricultural population of Switzerland, more particularly to the medium and smaller classes. Its quite phenomenal extension over the entire country, and the yearly addition to its number of members and mass of business, conclusively prove that it was wanted and is appreciated. It has proved a godsend to those small industries already referred to, with whose workshops the Swiss mountainside and valleys bristle—watchmakers, makers of musical boxes, weavers, wood-carvers, straw-plaiters, basket-makers, and the like. In its report, issued for the twentieth year of its existence, the Council set forth the objects which it has steadily aimed at from the beginning.

"Our first object," so the report says, "is, by means of the joint action of many, to provide a credit and the requisite cash for small folk; our next, to earn a fair profit for our members; and our last, to promote thrift, as a means of converting into a small capitalist the man who is not such already." There is very little altruism in this programme. But the object pursued—simple, purely economic, but very genuine co-operation—is thoroughly legitimate, and answers a most useful purpose in the economy of a commonwealth.

To effect this, the bank has made it its aim, for the sake alike of custom and of security, to enlist as large an army of members as it possibly can, and to induce those men to do all their business at its counters. That is the dominating idea in all its practice, and it studies its realization in every detail.

The late M. Yersin, for many years the active Director-General of the bank, has set forth the principles upon which he has acted in the following precepts :—

" Keep down your demands made upon members in respect of instalments ; make those instalments as small as possible · for the lower are your demands, the more ' popular ' will be your institution, the more members will you attract. If possible charge no entrance fee, because even that is likely to be felt as a ' tax.' Offer your members special advantages in the shape of a rather lower discount charged on bills, a rather higher interest allowed on deposits. Interest them in your work by every possible means ; to this end make your administration thoroughly representative and democratic, allowing to each member a vote, and one vote only, whatever be his holding, and giving to each branch bank full self-government. Make people understand that you pay precisely the same attention to small business as to large. ' Third-class traffic ' is, in the aggregate, the safest, the most remunerative, and the most constant. Spread out your machinery, cover what ground you can, multiply banking facilities ; the more ' popular ' you make your institution, the better will you succeed."

It speaks well for the bank that in its savings department non-members number three times as many as members.

Members are admitted by election of the representative Council of Management, from whose decision an appeal lies, if necessary, to the General Meeting of Delegates, the vote on important questions being reserved for the members generally. Each *succursale* has its own constituency, the members of which are convened from time to time. By this means a tolerably popular representative assembly is constituted, sufficient for all practical purposes.

Generally speaking, the *Schweizerische Volksbank* is careful to exact good security for all credit given. However, heterodoxly, like some Italian People's Banks, it permits members to borrow on the security of their share up to three times the amount of money paid upon it, therefore up to the full measure of their liability, which means in no case more than 3,000 francs. For such credit, which is by preference given in the form of cash credit, an acceptance is in every case insisted upon, to facilitate recovery.

The lending upon shares opens up rather a troublous

question in banking. The share is rather the member's bond than his asset. It constitutes him a part-proprietor in the bank. But the bank's security to its creditors is the share, not in its own hands, but in the member's. Therefore, by accepting the share as a pledge, instead of strengthening its own position, in one aspect it weakens it. For in taking the share in pledge, it parts with potential security. Were the share to be forfeited, the bank would obviously be so much the poorer, and offer its creditors so much less security. Accordingly, one is not surprised to see other co-operative banks in Switzerland, though actually offering to grant such credit, yet declining any obligation to do so, except subject to their own judgment in each case. In practice no loss worth speaking of appears to have been occasioned by such method of lending, which has become a great favourite with members and is freely resorted to. However, there is no blinking the danger of abandonment of shares. To guard against it, the *Schweizerische Volksbank* has adopted a rule which enacts that upon one-fourth of the members surrendering or giving notice, a general meeting shall forthwith be called, to vote upon the question, whether the bank is to be liquidated while the intending seceders are still members, or is to go on without them. In this way the bank has been successfully safeguarded against danger from depletion of its own share capital—which capital, indeed, continues steadily and satisfactorily increasing year by year.

As pure business institutions, effectively ministering to their members' wants, without any ideal aspirations, Swiss Co-operative Banks may certainly claim to have successfully served their purpose, showing how people requiring assistance from banking institutions may organize and work such for themselves.

A neighbouring country, France, supplies a typical specimen of popularized Credit provided by joint action under the overruling influence of *patronage*. France is the country in which the saying *Crédit est mort. les mauvais payeurs l'ont tué* has become so common that you can see its import put into pictorial form even in the famous and widely

circulated *images* of Epinal, the delightful town which, as patriotic Lorrains assert, "you cannot live without." "*Comment vivre sans Épinal?*" Evidently there has been painful experience of credit refused on the ground of that which above all things co-operative credit insists upon, that is, good security and prompt repayment, having failed. But in truth, "Credit," so far from being "dead," is seen very much alive and "kicking"—kicking not infrequently very much over the traces—not merely under the handling of those "11,000 *notaires*," of whose greed the late Fournier de Flaix, of the *Économiste Français*—who had himself been one of them—told me. Credit, indeed, is written large over all the country; and the facilities which under French handling it offers for purposes of enterprise at some points put us to shame. However, Credit specifically for Agriculture—and even more for Silviculture—has long proved an exceedingly knotty point to the French as to others. The "paternal" Government at Paris, having for its head successively Napoleon III and various Presidents, has devoted particular attention to the subject for decades back, appointing Commission after Commission to study the problem, puzzling over its solution much as our Board of Agriculture is doing now. There were of course Schulze's, Raiffeisen's and Luzzatti's credit societies to take as patterns. However, that was not quite the sort of Credit that was likely to "go down," at any rate rapidly, in France. The French like in such matters to have things done for them. MM. Rostand and Rayneri kept preaching Luzzatti, and Louis Durand actually established "Raiffeisen" on a small scale. However, the former two failed to make headway; and the latter's two or three little *caisses* founded between 1890 and 1892 soon shut up shop. The Government had really acted more in keeping with French idiosyncrasies when it experimented with *comptoirs agricoles*, under the system of which local committees, provided by the Government with funds, were to deal out loans, being remunerated for their trouble and risk by a small commission. However that not very skilfully contrived scheme would in practice work as little as would Napoleon the Third's earlier scheme

of a *Crédit Agricole*, the breaking down of which under its dealings, for want of other borrowers, with the unscrupulous Khedive Ismail remains a monumental instance of financial insanity. Apart from extremely unattractive terms at which credit was offered, the hitch lay in this, that the committees distributing the money were expected to make themselves responsible for repayment. That entirely spoilt the proposed contract.

In truth the main cause of the miscarriage of all these finely-thought-out experiments was that their authors had fallen into the old, familiar, seemingly almost unavoidable mistake of making sure of money rather than of security.

About 1892 M. Bouvet, a philanthropic timber merchant at Poligny in the Franche Comté, gave the Government a new lead—but still only a lead on a wrong tack. He has himself owned to me, in writing, that he would have much preferred to see a genuine Raiffeisen bank formed by the local people, as being the more perfect institution. However, those people would not act of their own motion. Therefore he provided money, advice, a staff, and moreover engaged himself to pay 4 per cent. interest on all deposits coming in, if necessary, out of his own pocket. A scheme like that works well—in a way—where there is a good man to direct it, providing benefits, though not stamina or independent staying power. M. Bouvet appears to have been such a man, and the little *caisse* of Poligny came to be spoken of in France.

The Government decided to follow up that opportune lead. By 1894 it had elaborated its plan, under which the State was to endow a Central Bank with the ridiculously inadequate sum of a million francs—to serve for Agriculture in the whole of France, an interest which has now a debt to the State of 101,142,452 francs written up against it! The scheme was simply ridiculous. I am entitled to just a little credit for its withdrawal, because at the annual meeting of the *Société des Agriculteurs de France* in 1894, to which the scheme was submitted for approval by President Senart, I took occasion to point out its very glaring defects. The *Société* declared almost unanimously against

the scheme. And in the teeth of such protest the measure could not be proceeded with.

Meanwhile Agricultural Syndicates—which originated in the formation of that at Blois, by Professor Tanviray, in 1883—had multiplied and gathered strength. They were formed originally without the protection of any law. M. Waldeck Rousseau's famous law designed for the protection of Trade Unions, under the terms of which Agricultural Syndicates were brought in in a truly hap-hazard fashion, did not see the light till 1884. Originally formed for the purpose of supply, Agricultural Syndicates, under the pressure of a plainly declared want, very soon took up Credit as an additional object, in a very rough-and-ready fashion. However, with all its faults, it was found not only to suit the taste of French farmers, but also to meet the requirements of the case fairly well. Agricultural Syndicates are not really what they are so frequently given out for in this country, namely, a French form of co-operative societies. The ideal of their leaders indeed is the creation of a co-operative society, doing its own co-operative work, by the side of an Agricultural Syndicate looking after the interests —fiscal and other—of the calling. All the same Agricultural Syndicates accomplish very much of the work usually falling to the lot of co-operative societies, and did so, more particularly at the time here spoken of, when agricultural co-operative societies were not yet formed. Among other things, as observed, they took up Agricultural Credit—for the most part in a very elementary and to all appearance risky form. In backing an applicant's acceptance, to make it discountable at the Bank of France, the Syndicates took a great deal on trust. Some of them were moreover faultily organized, with patronizing, governing, money providing *membres fondateurs*, and borrowing, not governing, but actually responsible *membres effectifs*. Others formed, as the Secretary of the one at Auxerre at the time assured me, each *une véritable petite république*. But in any case the banking was purely elementary.

Prussia set a new example in 1895 by the formation of its State endowed Central Bank. The new lead given was

not lost upon France. The Government had not to wait long for a favourable opportunity for putting its thoughts into practice. The Charter of the Bank of France expired in 1897, and a new Charter had to be taken out Renewal might be made conditional upon a sum given for the benefit of Agriculture. *Du cuir d'autrui on fait de larges courroies.* There would be " corn in Egypt." Agriculture might open its mouth wide and the Government would fill it. Terms were imposed upon the bank which in the interest of the polycephalous voting army in rural districts provided up to December 31, 1917, 202,154,924 francs, a round eight millions sterling, for the *Crédit Agricole.* And more keeps coming in—at such a rate, that the Government has felt compelled to revise the agreement made, so as to lessen the annual contribution. Indeed, in spite of three new objects added to the original one as entitling to loans—namely advances to co-operative productive societies, to insurance societies, and for the purchase of small plots of land—not quite half of the money provided has been actually got rid of—and that so slowly that one Minister of Finance, M. Rouvier, formally proposed that the unemployed balance should be appropriated to the general budget. Eyes had been bigger than the stomach, and the Government had bitten off more than it could chew.

In principle the French Government followed the Prussian example. In the matter of form for obvious reasons it could not do so. The model was accordingly reshaped. And it cannot be said that in reshaping it has been improved. Under the Prussian system at any rate the form of Co-operation is preserved. Societies are left the fully free disposal of the money which they borrow. There is therefore a direct inducement left to societies to accumulate capital, and there is a *bonâ fide* responsibility—in truth indeed, a little too much liability, for the protection of the Central Bank. The materials provided are suspect, because they come from the wrong shop. But the cook is left to use them at his own pleasure. Under the French scheme the provider of the materials has also constituted himself cook—or rather director at a long-distance, of the actual

operating cook—and the pudding has turned out queer accordingly.

Having a clean sheet of paper on which to write, the Government did not care to minimize or conceal officialism —which in the country sacred to *fonctionarisme* is a familiar feature—but went openly to work on unmistakably "official" lines. The Bank of France was made to pour forth its treasures in an unstinted stream. Its first instalment was a "loan"—free of interest, but repayable in 1920—of 40,000 francs. To this was added, in consecutive offerings of non-repayable free gifts—up to the close of 1917 180,154,924 40 francs. To distribute such fund "Regional Banks" were invited to form—banks, that is, for large districts, although no actual limit of size is prescribed. There are, at present, and have been for some time, ninety-eight such banks, pretty well covering the country. To them the Government money is dealt out at the discretion of a Board, upon which Ministers and their nominees preponderate, free of interest—in order that they may retail it to local banklets at a very low rate of interest, 2 or 2½ per cent.

These "Regional Banks," which have become the real pivot of the entire system disposing of the money—once they get it—at their own pleasure, were not, indeed, designed to serve as mere reservoirs for the receipt and subsequent distribution of Government bounty only. They were, by the issue of shares and the accumulation of reserve funds, to amass capital for themselves. The entire scheme was, indeed, intended to serve as a preparation for self-help organization, as "mother's milk," on which a child might be made to grow up strong enough, after a time, to shift for itself. Accordingly, as an inducement to the collection of share capital, the promise was given to "Regional Banks" of four francs of Government money being advanced (free of interest) in respect of every one franc raised by the bank itself, in the shape of share capital.

These "Regional Banks" so constituted were to surround themselves with local credit societies, to act as actual distributors of the money, inquirers into cases, and collectors

for repayment. Their precept is, to lend money very cheaply, in order that it may reach the ultimate beneficiary at the rate of 4 or 4½ per cent. interest. These local societies were in course of time, with the help of the "mother's milk" provided for them, to develop into Raiffeisen societies, standing upon their own legs, with money or money-raising power of their own. The argument openly used was that so frequently put forward—and manifestly wrong in this application—that, if Co-operative Credit was to be created and made to cover a wide area, it must at the outset be supplied and encouraged with gifts and exceptional facilities The intention was, that the local societies should raise share capital for themselves—which would remain their own, although, as was asked by the "Regional Banks," in their own interest, it might be all invested in shares of the latter for the purpose of attracting the four francs for one promised. They were also to accumulate reserve funds and to obtain the support of liability from their own members—by preference unlimited liability. There were at the close of 1912—the last date for which a full return has been issued—4,533 such local societies, with collectively 238,860 members—which figures indicate the smallness of the institutions, as allowing only fifty-two members per society—disposing of 14,934,753 francs of their own, and having loans outstanding to the amount of 74,567,106 francs, 95,532,078 francs having been lent out in the last year. The "Regional Banks" disposed at the time of 23,220,305 francs of paid up share capital (25,070,081 francs being subscribed)—including 15,525,711 francs of share capital of the local societies[1]—4,412,240 francs deposits and 8,000,785 francs—reserve funds. The sum actually lent out in 1913 to local credit societies in working funds for farmers amounted to only 4,469,700 francs, the entire amount outstanding being 73,524,468 francs. In addition there was 13,188,134 francs outstanding to co-operative productive societies, advanced under separate powers, and 15,631,800 francs towards purchase of land, therefore in all 102,334,402 francs. Co-

[1] The discrepancy between 14,934,753 and 15,525,711 francs occurs in the official tables.

operative productive societies and land purchase had been added as qualifying heads, because it was found that Credit alone would not absorb all the money provided. As it is, there is more than half the money taken from the Bank of France lying idle, waiting for calls.

Whatever be the "symmetry" of the scheme—as commended by Mr. Myron Herrick—the mere fact that just before the war it was announced that it was to be remodelled, under the guise of unifying the several measures, shows that it has not answered expectations. Official laments on this score have, in fact, been frequent. From a business point of view, taking £8,000,000 from public funds only to keep a good half lying idle is not exactly good business. And representatives of Agricultural Syndicates have told me plainly, that what they are afraid of is that if called for that money would not be forthcoming. No more can the undercutting of ordinary supply in the market be reckoned either good business or useful training for self-supporting credit. It has, on the contrary, formed a direct obstacle to such, and during the crisis of 1907—I have no information respecting the late war—it led societies into this predicament, that if they wanted to meet calls for Credit, they must borrow at 6 or 7 per cent. what they must lend out at 2 per cent. They must, according to their authorization, lend out cheaply. That was the object of the institution. The Distributing Board did not in all cases supply all that was wanted. Additional money was indeed to be got from the Bank of France. However, the discount for such stood at 7 per cent. How reconcile these conflicting conditions?

But the main defect of the measure is that it has failed to produce the very effect for which it was created. It has *not* trained agriculturists to Co-operation. It has *not* by means of "mother's milk" endowed them with either the resolution or the strength to stand on their own legs. Quite the reverse. They have become used to largess, and look for more. The habit has become ingrained. In the words of a proverb current among themselves, "what the colt has learnt in training, he holds fast through life" (*Ce que le poulain prend en dompture, il le maintient tant qu'il*

dure). The very fact that the scheme pivots on the "Regional" and not the local banks makes against its serving as a training school for Co-operation. The local societies are in truth little more than "letter boxes." They receive applications; they report upon them; they hand over the money. But the money comes from the "Regional Bank." It is in the discretion of the "Regional Bank" to give or to withhold it. "Regional Banks," by the way, have been treated most capriciously; and frequent complaints have been entered against the unfair way in which it has been alleged that the Government money has been distributed. The money being granted free of interest, there are no prudential considerations to prevent a well-stocked society from asking for more. The money stands it in nothing. Accordingly, money has been advanced to banks which in truth had no use for it, while others which did want it, have been left dry. This mischief has in part been remedied. But, where the distributing authority is a Board at Paris, far away from the scene of action, there is no guarantee against its recurrence. The remedies effected touch only the surface. The root of the evil remains. Why should members go to the trouble and self-denial of taking up shares when they could get the money for nothing, simply by asking for it? The President of one "Regional Bank" has openly declared: "We do not suppose that the Government will want to make us repay its loans." And why should societies build up reserve funds? That question has been openly asked by one "Regional Bank." We get the money gratis. In our opinion "Agriculture," for the benefit of which the institution was created, will be best benefited by having its loans cheap—even under bank rate. The manager of one "Regional Bank" in the South of France has owned to me that his bank did not require the money which it received from the State. It might very well have done without it. However, as it was to be had for nothing, the bank took it for the special purpose of laying it by in its reserve fund. Other "Regional Banks" unfortunately do not by any means act in the same way. It is a question

of "light come, light go." And then, again, there is the question of undertaking liability. Why should a man saddle himself with the burden of liability—the object of which is to provide security on the ground of which to obtain money —when the money came in without it ? More particularly unlimited liability has been generally eschewed. In the South of France, in a case in which liability was required, a philanthropic millionaire is known to have constituted himself unlimited guarantor, backing every promissory note accepted. That is not business. No more is it training to such, or to Co-operation.

The case is much aggravated by the peculiar rules laid down—and almost necessarily laid down, seeing what the scheme is. The scheme is to benefit, not the rural population, not the members of a society who pay in their money and saddle themselves with specific duties, but "Agriculture." Therefore in a given district agriculturists of *any* sort are made to be entitled to assistance—but *only* agriculturists. The rural tradesman, the labourer wishing to make himself independent, are debarred from borrowing. On the other hand any member of a friendly society (if he be an "agriculturist") or of an agricultural syndicate is entitled to advances, though he be not a member of the society. Under such circumstances, how can you expect members to make themselves liable ?

All this being so, it cannot be said to be surprising that dissatisfaction should have been expressed with the results of the measure, nor that the Agricultural Syndicates which, whether royalist or not—I have never found any royalism suggested at their gatherings—certainly represent *bonâ fide* agricultural opinion, and which have been rather snubbed at the official annual gatherings connected with the *Crédit Agricole*, should have broken loose from that institution and, after some time suggesting amendments which were not accepted, should in 1913, at their biennial Congress at Nice, have decided to form their own independent all-French Central Bank and made a beginning with its formation then and there. The war has stood in the way of further progress. But the project is not dropped.

Of course, £4,000,000 set in circulation for the benefit of Agriculture is, after all, something gained for the soil. But that gain has been secured at the cost of those who do not profit by the scheme and at a more than counterbalancing cost to the co-operative ideal which it was desired to attain. Raiffeisen may be said to have made Credit *difficult* in order to make it possible under the circumstances given (by the security of liability and the training of men to careful calculation and thrift). The French scheme advisedly makes it *easy* and so deprives it of its educational and security-creating character. The object of Co-operation furthermore is, to train people to a sentiment of mutuality and capacity for business as independent factors, not merely to stop holes with money here and there. And "man-making" in Mr. Gladstone's sense there is absolutely none in the French scheme.

A scheme of quite a different sort has lately been set on foot in Denmark. It is once more the recognized needs of Agriculture which have prompted to it. Scandinavian countries have for a long time held aloof from Co-operative Credit, as not feeling any necessity for it otherwise than for mortgage purposes, for which all three kingdoms possess highly useful organizations fashioned on the model of the German *landschaft*, but improved by being made more democratic and less bureaucratic.[1] Sweden, indeed, had formed its little array of banks after the Schulze-Delitzsch pattern, and since the last edition of the present book was issued, however, Denmark has come in to claim its place among co-operatively banking countries, following neither Raiffeisen nor Schulze, because the object aimed at was different from that which those two organizers kept in view. Nor can it be said that the Banking Department of our own Co-operative Wholesale Society has served as model. Previously it had been held that ordinary banks and Savings Banks—which in the Scandinavian countries, the same as in Italy, Germany, Austria and Switzerland, enjoy full freedom of investment—provided all that might

[1] I have explained their *modus operandi* in a special chapter in *Co-operative Banking*.

be reasonably called for in the matter of Credit. To what extent Savings Banks minister to the wants of small folk may be gathered from the fact that Norwegian Savings Banks have been found in their lendings to have exceeded the figure of £28 per loan in only 18 per cent. of all their credit business. However, even there the needs of small people have called for other assistance with hard cash. In Sweden Mr. L. O. Smith long since organized his *Aktiebolaget Arbetaringens Bank* as a democratic credit institution. In Denmark there have likewise since a long time been " Aid Associations "—in addition to the public pawn establishments, which lend out much money in small loans. A small number of credit societies known as *Folksbanker* recently formed in Sweden are likewise manifestly organized in imitation of Schulze's " Credit Associations." They do not appear thus far to have developed to any importance. However Co-operation, now that it has taken root in Sweden, is advancing fast. Accordingly there is not unlikely to be a future also for co-operation for Credit. And Norway has its peculiar *Kassakreditiv* as an instrument for granting small loans.

On the top of all this, however, the need of Co-operative Credit associations came to make itself felt. No country appears to be perfectly proof against it. Denmark has now entered the field in full form with a scheme of its own, after some twenty years ago it had tentatively tackled the question by inquiry and voted five million Danish kroners for the purpose of starting a movement, which proposal a change of Ministry caused to be abandoned.

However, the want did not grow less. Capitalists are accommodating in Denmark in advancing money for the co-operative dairies, bacon factories and other productive establishments, which have been the making of Danish Agriculture. Nevertheless, their liberality was found not to suffice, and it was felt that self-help must come in to aid. The consideration how to bring it in was taken up as long ago as in 1898, and the matter was fully discussed at the first Danish Co-operative Congress held, in 1903. The scheme then proposed has eventually taken form in a twofold

shape—in two distinct but allied branches, each of which has its own distinct province of work. One part of it is disfigured by State coddling,—which has produced its usual result. The other, more capitalistically conceived, is self-contained and has thus far answered well. The organization provided for under the first part of the scheme is to supply convenient credit to individuals by means of co-operative village societies. The other is to provide larger sums for financing co-operative productive undertakings—though it appears that power has also been taken to make advances to individuals. The village banks so formed were given the name of *Andelskasser*. They have very peculiar rules, which rather help one to understand why the *kasser* should not altogether have answered expectations. The movement began well. Societies forming had been accorded certain privileges, such as exemption from stamp duty and the like, and were offered loan money from public funds, within certain limits, at 3 per cent., which figure was in 1908 raised to 3½ per cent. On the other hand, they were made to submit to somewhat searching Government control and inspection. The reckoning adopted of values in head of cattle shows for what purpose the newly introduced Credit Movement was mainly intended. The limit of a loan was fixed at £2 16*s*. per head of cattle owned. Within two years 168 societies were formed, "representing about a thousand head of cattle," with about 22,000 members. And the entire amount of State advances made available had been allotted. The loans made to individual members were small, as a rule £10 or less. The loans to societies ranged from about £1,000 to about £5,000. This was all very fine distributing business—but it remained capitalist. In 1908 the Government began to call in its advances by instalments, the last of which was due in 1916. The societies repaid. But, that done, most of them dissolved. And it is said to be doubtful whether, notwithstanding new privileges and exemptions granted to them under a new law of 1916, societies of the same kind are at all likely to provide the means for functioning satisfactorily. In any case, however, they are stated to have effected one decided improvement. They were

designed to afford convenient facilities for credit and also for depositing. What they have certainly done is to teach farmers to keep the money which comes to them in their own district and so decentralize increasing wealth. With all their co-operative dairies, bacon factories, egg societies and so on, very much money changes hands every week in their parishes. That money used—like our Savings Banks deposits—to go up, well secured, as in a "Black Maria," to the financial "wen" of the capital. Now farmers have learnt to keep it in the district, where it fructifies. That is not a little gained for national economy. In addition to this, such banking has given the farmers taking part in the movement useful business training. They have learnt to understand what banking means, what are its advantages, and to some extent it has acclimatized the use of the cheque. And altogether farmers have acquired better notions of business.

The organization of these societies is, as observed, decidedly peculiar. I have to thank Dr. Harald Faber, Danish Commissioner of Agriculture in this country, for a copy of the rules of the Outrup Society, which are said to be typical. Under these rules the society is to consist of two classes of members, "active" and "passive." Any person residing in the parish of Outrup who can prove that he is at least twenty-five years of age and a member of one or other co-operative society in the place, is entitled to join as an "active" member, provided that the Board approve, in which case he pledges his unlimited liability, but does not appear to be required to take up a share. He is, however, required to subscribe to the rules "before witnesses." "Active membership" gives him a vote in the General Meeting, which is, under the law of the land, the supreme authority. But that vote has to be given in person. No highly ideal object is placed before the society. It is simply to "facilitate the money transactions of members, grant loans and take deposits." Residents in Outrup parish and district who are not so qualified as has been indicated, may be admitted as "passive" members, paying an entrance fee of 50 öre, becoming entitled thereby to do business with the society,

but not to vote, although they may attend general meetings. In addition to individual members, societies may likewise be admitted as members, being called upon to pay an entrance fee of 5 kroner. The governing body of the society is a "Committee" of fifteen, all elected for one year from among members, and in their turn electing from among themselves their own chairman, who may summon a meeting at any time when it appears to him necessary to do so. It is, however, obligatory for the Committee to meet at least four times in a twelvemonth. The Committee elect, once more from among their own number, two members, who may be salaried, with their substitutes, to compose the "Board" the functions of which are, to discharge the routine duties of dealing out money, receiving such, approving or disapproving the election of candidates and so on. For certain acts, however, binding the society under its liability, the signatures of no less than four members of the Committee are required, The dealing out of money is done according to the valuation for overdraft rights prepared every year afresh by the Committee, which advise members on request for how much credit they have been assessed. The money so dealt out appears to come from the "Central Co-operative Bank" in which each society doing business with it is required to subscribe for 500 kroner in share capital in respect of every 25,000 kroner that it may hold in deposits. The office of the society is to be open for business at least once in a week. Of any surplus accruing a fair contribution is to be made to the reserve fund and the "sinking fund," the balance remaining over being distributed among members in proportion to the amount of interest which they have either received (on deposits) or else paid (on advances) severally from and to the society.

The other branch of the Co-operative Credit Movement represented by the "Danish Co-operative Societies' Bank," has a brighter record to produce. Although allowed in exceptional cases to loan money to individuals, it is rather designed to finance co-operative undertakings, which have sometimes had difficulties to face in starting business. The idea of forming such a bank was first taken up in 1905 by

the Central Co-operative Committee formed in 1898. A circular addressed to co-operative societies asking their opinion, aroused rather serious opposition on the side of bankers. However, the Central Committee went on with its work. In 1908 a scheme was drawn up. By 1909 236 co-operative societies had sent in their "adhesion," guaranteeing £37,000. In 1913 the guarantors were called upon to pay in the sums promised, and in 1914 the bank was opened at Aarhuus for business. The avowed main object of the bank is, as already stated, to support any reasonable co-operative scheme submitted to it. Individuals are not directly entitled to credits. But they are free to join local bank societies, which may become affiliated to the "Central Bank," by which means "Central Bank" money may be made to filter down to them. In the same way the "Central Bank" is also entitled to act for the *Andelskasser* already spoken of. Its shareholders and beneficiaries are, however, intended to be in the main co-operative societies and Savings Banks—the latter merely as lenders, the former either as lenders or as borrowers. As already observed, this scheme is answering well and giving satisfaction.

What Co-operation for dispensing Credit exists in Spain and Portugal deserves for out and out the most part to be ranked among institutions only congenerous to the recognized types. Attempts have, as already observed, been made in both countries to acclimatize Luzzatti, or else Raiffeisen Co-operation—and to some little extent not without results. However, the Iberian mind does not appear to turn readily to mid-European models, which probably involve too much trouble and responsibility to please it in its present mood. The idea of collective, and continuously collective, action is not otherwise strange to that mind, as the existence since long gone-by ages of the *celeiros comunes*, the *compañia gallega* and the *sociedade familiar* may be taken to attest. Also in modern days we see *Obrero* (Labour) Societies developing strongly and taking up with some zeal the *Credito Obrero*, Credit Co-operaton for the benefit of the working classes. Moreover, there have of late years been co-operative export societies formed

in the provinces interested in the trade in oranges, for the exportation of such fruit to the great North-European markets. And the Spanish adaptation of our Building Societies, like *El Hogar Español*—which has served benefi cently as a pattern for similar institutions also in Argentina introduced with philanthropic designs by Don Angel Ramirez—appears to be attended with a certain amount of success. It deals in Credit, but, like the Co-operative People's Bank of Edinburgh, solely for building purposes. However, the co-operative spirit in those southern parts evidently favours other lines of action than those followed by the German and Italian co-operators. Catalonia and the Balearic Isles are full of " co-operative " spirit bubbling over in boisterous fashion. But its efforts go in the direction of political Socialism, Nationalization of everything and red Republicanism. The Iberian husbandman needs money help sadly. However, he is used by long habit to looking to patrons for help—the Government, the Provinces, the Grandees and Hidalgos—and kind Mother Church. A few societies more or less after the Luzzatti pattern, and a good many more after the Raiffeisen pattern—or what is intended to be such—have been formed—Raiffeisen Co-operation being fostered in Spain mainly by Don Francesco Rivas Moreno, and in Portugal by the late Dom Costa Goodolphim, who was a genuine co-operator. The last named class of societies appear in Spain to be comparatively holding their own. Trustworthy information on the subject is—more especially during present disturbed times—rather scanty. However, even that Raiffeisen Co-operation is not pure.

Various attempts have been made to establish *bonâ fide* Co-operative Credit, both in town and in country, in intended imitation of German and Italian credit banks. *Montepios*, which are not really co-operative banks, but rather humble money clubs, are pretty common in Spain. Valencia, generally to the fore in this movement, has tried its hand upon a working men's loan society, " El Credito Obrero." Civil servants, more particularly those of the telegraph department, have their own credit societies. And there have been other similar loan institutions.

For agricultural purposes—for which provision in money was greatly needed—some time ago two experimental banks were set up, severally in Segovia and in Oviedo, adopting, among other co-operative features, that of inquiring with some care into the character and position of the applicant for a loan and the object for which the loan was asked. Probably there were also other experiments of a similar kind. However, the result was disappointing. The safeguards as adopted proved illusory; and the banks came to grief under a burden of bad debts.

Help for the impecunious *campesino* and *obrero* has accordingly been sought for in other directions, the direction indicated by those ancient institutions—among others created in past times—of the *pósitos*—about which of late a good deal of nonsense has been written, more particularly in India, but also in Great Britain, as a justification for the plea put forward in some quarters of creating Josepho-Pharaonic granaries for preserving grain against a rainy day. The Spanish *pósitos* are a very ancient institution—actually of the Josepho-Pharaonic type—having that model of a benevolent and paternal ruler, Philip II, for their original inventor. Like the Italian *monti frumentari*—now for the most part converted into *monti nummari*, as keeping their treasure in the form of cash—the *pósitos* were intended to provide corn, whether for seed or for nourishment, against times of scarcity. They were largely patronized by Municipalities, Magnates and the Church, as philanthropic institutions. There was absolutely nothing co-operative about them. In the sixteenth century, more particularly under municipal and ecclesiastical forcing, their number and also their stocks increased prodigiously. A census taken in 1558 showed their number to be then more than twelve thousand. However, an inquiry instituted by order of the King in 1584 proved the administration to be anything but businesslike and pure. Administrators were found to have kept all the good things at their disposal scrupulously for themselves. And that defect appears to have become chronic. Notwithstanding well-meant Government interference things kept going wrong. When the first Napoleon

mission." Now, unfortunately, Mortgage Credit is not an easy thing for Co-operation to supply where conditions are still such as prevail in America. Those conditions, with a frequently shifting, very loosely settled population, and purchase of land very much undertaken with a view, not to raising the largest possible crops, but to netting a handsome profit on re-sale, are decidedly not favourable even to the form of personal credit co-operatively practised in Europe. Beyond this, American ideas about Co-operation seem to differ rather materially from those commonly entertained in Europe. There is no nation better skilled in the organization of combined action for business purposes, with a view to individual profit. In respect of Agriculture, this is seen in the powerful Elevator, Fruit growing, Drainage, Insurance, Telephone and a host of other cognate societies existing, which answer their purpose exceedingly well—as meaning money, in the same way that "Rings" and "Trusts" mean money. In the Middle West Insurance business is almost entirely in the hands of Co-operative Societies. And among Drainage institutions Co-operative Societies are found to yield out and out the best results. However, the lamentable fiasco of President Roosevelt's "Country Life Commission," and the opinions pronounced upon that miscarriage by the more co-operatively minded members of that Commission, such as the late Dr. Page, demonstrate clearly that the American temperament presents no favourable soil for the prospering of European co-operative seed. The new "Farm Loans Act"—which has still to show what it is worth in practice—permits only a very distant approach to co-operative practice. With the aid of the late Baron Hirsch's millions a Jewish Agricultural and Industrial Aid Society has been formed under the able guidance of Mr. Leonard Robinson, which society appears to yield satisfactory results in the settlement of Jewish cultivators on the land and training them to act together. However, the very denominational limitation of the object of this society necessarily contracts its area of operations to a mere nothing in comparison with the wide expanse of the territory to be covered. And the very fact that the money employed

has been provided by a patron benefactor, *as* a benefaction, stamps the movement not as entirely self-helping, and therefore not fully co-operative. In respect of industrial centres we know, as has been shown in an early chapter, that before the Civil War the United States possessed a nucleus of what appear to have been fairly successful little Loan and Thrift Societies. But those little clusters of men can have covered only very little ground. And we do not quite know what they were. A new attempt to organize something of the same sort has been made during the past two decades, Massachusetts taking the lead and setting a well-meant example. However, the powers of the little "Credit Unions" so formed—under special Acts passed, not by the Federation but by the several States—are so narrowly limited, that in truth the societies cannot expect ever to become anything more ambitious than mutual thrift and loan associations—like Slate Clubs or Loan Societies—since they are prohibited from accepting deposits from non-members. Present legislation is generally adverse to Co-operative Credit.[1] It is reserved for the several States, so that uniformity must be difficult. Even the best Acts existing make demands upon members which are inconsistent with *bonâ fide* Co-operation for humble people. In the case of Massachusetts, the originator of the movement has owned to me that he took, in the way of legislation, what he could get. Had he asked for more, he doubts if he would have got any legislation at all. One cannot help thinking that sooner or later, in a richly populous, and, industrially as well as agriculturally, almost excessively active country like the great Transatlantic Republic, Co-operative Credit may be trusted to proclaim itself as wanted. The useful, though humble, and little observed, work which co-operative credit societies on the European pattern are reported to be doing among Italian immigrants—who are accustomed to this form of providing themselves with cash—might be made to serve as a model upon which eventually to mould it.

The "Far East" justifies the reputation for "wisdom"

[1] I have explained this at length in *Co-operative Credit for the United States*, published by the Sturgis and Walton Co., New York.

which since the time of the biblical "Magi" "the East" generally has enjoyed, in having formed co-operative credit societies of a sort ages before either Schulze or Raiffeisen or M. Luzzatti were so much as thought of. The movement now swelling up in Siberia like a giant tide is formed on an European model. So is that which promises to transform India into a land of "village communities" as of yore, and a land with well decentralized rural wealth. Japan likewise, though it possessed some kind of mutual societies long previously, has in its modern development of Co-operative Credit followed European precedents, but with a certain amount of freedom, as a result of very careful and extended inquiry systematically carried out on the spot during the last two decades.

In China certain infant sproutings of the co-operative seed are of ancient and indigenous origin. Some thirty years ago General Tcheng-ki-Tong explained to a Paris audience that what he termed *caisses mutuelles* had existed in his native country time out of mind. The great veneration which Chinese cultivators cherish for "Mother Earth" as a crop-producing factor, and the readiness with which they club and act together in absolute good faith, are characteristic of their race A Chinese proverb has it that "the land is the great 'Creditor of the Nation,'" entitled absolutely as a matter of right to the receipt, for fructifying employment, of whatever cash may be over for discretionary employment. What precisely the organization of the Chinese *caisses mutuelles* is, and what are their practices, General Tcheng-ki-Tong did not tell us and it is at the present moment difficult to ascertain. But he assured his Paris audience that no small peasant who wants to carry out some improvement or raise up some new building is ever at a loss for the requisite money. In his own little district his neighbours, who know him, if he is considered trustworthy, do not hesitate to let him have whatever he wants. The *caisses mutuelles* spoken of—the organization of which presumably is very primitive—the General went on to say, have yielded exceedingly satisfactory results without the drawback of any misadventure.

Japan has acted in a different manner. Probably it possessed institutions similar to the *caisses mutuelles* before chroniclers troubled to write about Co-operation. From time immemorial there have been societies in the country villages for the purpose of collective buying and selling. Collective selling of tea is said to be an old-established institution. There are stated to be thousands of modest little groups of growers carrying it on—corresponding to so many societies—in Japan to the present day.

One interesting form of such early Co-operation handed down, and unmistakably indigenous, is that of the " Mujin," that is, Mutual Loan Societies, which are said to be of very ancient origin, but the legal position of which has been newly regulated quite recently by the Mutual Loan Societies Law of 1915. These societies make it their business to promote the collection of a substantial capital, not merely in the Schulze-Delitzsch way, namely by enforcing the accumulation of the money represented by rather substantial shares or " lots "—as they are called—by means of steadily paid instalments, but, in addition, by making members place other shares or " lots " among their acquaintance. Shares or " lots " are issued in fixed numbers. The societies are officially described as being intended for " the middle and lower classes of the people." However, since the law makes the possession of at least 30,000 yen, that is, £3,075, a condition for membership, the term " middle or lower " evidently has to be understood in a peculiar sense. The number of such societies existing in 1917 was 173, with an authorized capital of 8,905,000 yen, of which sum 3,111,931 yen had been paid up.

Another distinctively native and peculiar mutual credit institution is that of " Credit Associations in City Land," formed under the " Industrial Guilds Law " of 1900. Their declared object is " to lend money to their members in order to develop their economic conditions and to take charge of their savings." These societies are allowed rather extensive powers for dealing with the money collected, such as discounting acceptances. They are also permitted to take deposits from non-members. I am not, however, in posses-

sion of information as to their *modus procedendi*. Their number at the end of May, 1918, is given as only twenty-five.

Talking of ancient and indigenous co-operative institutions people want to be warned against falling into the very common error of taking Ninomyia Sontaku's *Hoto kasha*—which are not a congenerous institution—for Raiffeisen societies or co-operative societies at all. They are, in truth, nothing of the sort, although indeed they are inspired by a similar sentiment and render some of the services which Raiffeisen societies were created to render. Their very name, which means "Gratitude Societies," indicates that they are rather philanthropic than co-operative. They are really only of comparatively modern origin. But, of late years, as a consequence of the very careful inquiries in Europe carried on by Professor Nashigaki and others, but mainly by the Imperial Commission sent to Europe for the special purpose a few years ago under the lead of Senator Ito and Professor Haminoto, a widely extended and vigorously conducted co-operative movement has grown up in the Empire of the Rising Sun, which promises excellent results.

Although that co-operative movement was, in its modern shape, inspired by what had become known of parallel movements in Europe, it cannot be said to be altogether modelled on the European pattern. There are special features which mark it off distinctly from European Co-operation. One is the habitual combination of a number of different forms of co-operation in one and the same society, the most prominent and most widely practised among which is Credit. Indeed, Co-operative Credit may be said to supply the foundation upon which the entire apparatus of co-operative action in other forms has been reared up. The societies coming under this description appear to be generally small and strongly localized. Under such conditions, which facilitate discrimination and control, an intermingling of services is not likely to mean serious danger. It is only what Raiffeisen recommended in his own one-parish societies. Another feature worth noting is the decided preference given by Japanese co-operators to the unlimited form of

liability—which, as we shall see, likewise attaches to Indian Co-operation. The Japanese law, which is very liberally conceived, allows full freedom in the choice of a form of liability. However, 61 per cent. of the societies formed have formed under unlimited liability—which argues against the curious pleas which in England Lord Denman, acting in 1908 as spokesman of Mr. Asquith's Government, urged against it with so great confidence.

On the ground of the apparent success of the German Co-operative Act of 1889, a similar law was passed in Japan in 1891, mainly in the interest of Agriculture.

In Japan, as in so many other countries, it was the needs of Agriculture which most clamorously called for the aid of Co-operation. Agriculture—coupled with fishing—is out and out the premier industry of that country. It has been raised to a high point of productiveness. Living practically upon the inherent fertility of the land itself, importing, at any rate until quite recently, practically nothing in the shape either of fertilizers or foodstuffs, it has been found equal to nourishing the entire population and maintaining a family upon the produce of half or even only a quarter of an acre. However, even for such Jethro Tullite husbandry money was found to be required—more money than the cultivators possessed.

The law of 1891 was the first Japanese law dealing with Co-operation. But is applied solely to credit societies. The care of the Government for Agriculture is of old standing in Japan and very meticulous. Under its protection Japan has become the country *par excellence* of agricultural societies diffusing knowledge and stimulating common interest. There are known to be more than 60,000 such in existence, so that practically every parish possesses one, all being co-ordinated.

Observing that the law of 1891 worked well, the Government extended its scope in 1899 to other forms of Co-operation besides Credit. Next, on the ground of Reports received from the first investigating emissaries to Europe, the Government in 1900 passed a law which gave the real start to modern Co-operation in its country.

To what extent the law of 1900 stimulated the formation of co-operative societies will be gathered from the fact that in that year there were only twenty-one societies known to exist, and that by the end of 1901 the number had grown to 268, a year later to 512, then to 870, 1,232 and so on. By 1909 it had grown to 1,966. At the present time it stands at 12,023. That is the official figure for 1917. Of that number 3,092 are pure Credit Societies, 248 Sale Societies, 414 Purchase Societies, 133 Productive Societies, 401 Sale and Purchase Societies, 134 Sale and Productive Societies, 25 Purchase and Productive Societies, 180 Sale, Purchase and Productive Societies, 351 Credit and Sale Societies, 2,708 Credit and Purchase Societies, 55 Credit and Productive Societies, 2,964 Credit, Sale and Purchase Societies, 158 Credit, Sale and Productive Societies, 49 Credit, Purchase and Productive Societies, and 1,111 Credit, Sale, Purchase and Productive Societies. There are therefore no fewer than 10,488 Societies, among 12,023 in all, dealing in Credit, by itself or in combination with some other form. The Japanese example of freely intermingling a variety of co-operative services in the same society—the societies being small—might be commended to the notice of the Irish Department of Agriculture and Technical Instruction, which has thus far set its face resolutely against all such combination as if it implied danger—otherwise than to the gombeener.

Legislation, as has been explained, has been duly supplemented by other aids to Co-operation. Japanese emissaries having noticed the excellent educating effects of pig, beef, poultry, canning, seed and other young folks' clubs in the United States and in Canada, the Government promptly, before it ever occurred to us to profit by such example, urged the organization of schoolboys' societies, as a first application, for cultivating rice. Every lad joining is expected to cultivate a *tan* (about 1/10 acre) of rice. He is made to report upon the quality of his soil and the atmospheric conditions of his plot. And according to results he is awarded a prize. Under the tuition so given and the experimenting so carried out rice cultivation promises to

be raised to a higher level. And the 'cute Japanese may be trusted to take advantage of that improvement.

Japanese would not be Japanese, if this vast host of co-operative organizations had not been systematically co-ordinated in its higher grade by internal connection by means of Unions and Central Institutions. Of course the societies are kept under Government surveillance, but apparently not in an intrusive or hindering way. Government authorities—more particularly the Prefects acting in their forty-seven Prefectures—indeed seem to show themselves anxious to befriend the organizations.

The survey here made has been a rather comprehensive one. It shows to what great extent outside our "four seas," which seem to favour prejudice, Co-operative Credit has come to be valued and has spread.

CHAPTER XV

India

If there is any one country in which the need of Co-operative Credit was written plainly on the face of things prevailing, and to which accordingly without question Co-operative Credit must come as a godsend, that country is India. For in India, the land of fabled riches, poverty, want of working capital, for an Agriculture which dates from centuries before the beginning of our own, want of money to support a teeming population of more than three hundred millions—just the class of men for whom Co-operative Credit appears to have been invented, that is, people honest, patient and willing to work—proclaims its presence over all the wide sweep of the land, and all the social fabric of its peopled regions over. Our European institutions, making rent payable in money at the most inconvenient season of the year; and allowing the unscrupulous and grasping usurer an easy advantage in Civil process over his defrauded victim—have aggravated matters. Races which preceded ourselves as masters—for the evil is of long standing—have left their blighting mark upon ruling conditions. As a result of all this, rural society is sunk in a morass of Debt, for the benefit of a host of usurers of a peculiarly blood-sucking type, who exploit the land.

Listen to the distressing review of things as they are given by Sir Daniel Hamilton:—

"The power which stands in the way of India's economic development is the power of evil finance—the want of a banking system *for the people*. The people have many bankers but no bank. The land lies blighted by the shadow of the mahajan. Go where you will, you find the people weary of waiting for a money monsoon which never breaks. They look to the heights

of Simla and the plain of Delhi for the cloud with the silver lining, but the cloud never sparkles into showers. Last month I spent ten days in the Deccan, a land thirsting for water and for money. As I went round the village I asked the people why they grew cotton which yielded them a crop worth only thirty or forty rupees an acre, when they might grow sugar-cane which would give them ten times as much. I put the same question in every village and got the same reply in each : ' We cannot grow sugar-cane because we have no money. The seed alone will cost us more than a hundred rupees an acre and a well will cost three or four hundred rupees more. We are deep in debt, and if we borrow more, we shall be utterly undone.' And so the sugar industry and the people both languish. The weavers are held up by the same evil power. The mahajan sells them his yarn at his own price, and takes over his cloth at his own price, and so the weavers and the handlooms languish, and the web of India's life is cut short. I go down to Orissa and the cry is the same : ' We want bunds to hold up the rainfall and rice ; but bunds cost hundreds and thousands of rupees, and how can men with an income of two or three annas a day find hundreds and thousands of rupees ? ' So the people have to go without the rice they covet, and Orissa, for want of bunds, is being washed into the Bay of Bengal, I go up to Bihar and find the same deadly mildew at work, blight, blight, blight everywhere. The mahajan still lies safely entrenched behind his money bags, while the victims of his silver bullet lie all round in heaps. When is this dacoity to cease ? The raiyat is robbed of his crops, his cattle of their food, the weaver of his cloth, a dry and thirsty land is robbed of irrigation, and of education, and of medicine and of that economic development without which spiritual and moral progress is an idle dream. India stands a thousand years behind the times, because the mahajan with his ruinous rate of interest stands athwart the path of progress. Only along the Co-operative Route will India find the way from poverty to plenty."

It was the rigour of mahajan rule that brought the late General Booth to me as almost a convert, and nearly made the Salvation Army inscribe Co-operative Credit upon its banner. General Booth's lament to me (in 1894) was this : " Whenever my people get a native up to the mark of being willing to embrace Christianity, the mahajan, to whom the native in question is almost sure to be heavily indebted, steps in, threatening to draw to the noose which his debtor carries perpetually slung round his neck—to sell him up. To meet this, we must have a competing source of money to

bring into play." The scheme, which was extremely difficult to prepare—seeing that Co-operative Credit makes it its principle to leave every member absolute master of his own responsibility, whereas General Booth wanted the thing organized on strictly military lines, under which every man enrolled is to act only as ordered by his superiors—did not materialize, because the larger scheme of a great Salvation Army settlement, on which it had been grafted, fell through.

Of course British rulers of India—of course also our Indian Civil Service, which certainly does not neglect its duties—have sought long since for a remedy for such crying want. They have provided for active help in times of famine. They have perpetuated the *takavi*, a form of loan from Government funds, practised, as a Royal Commission has declared, "from time immemorial," which stops some holes, but does not secure any permanent improvement, nor make the person assisted more thrifty and more self-relying. Quite the reverse. "There is more where that came from," is the thought which it provokes. And it is, under the system prevailing, not the borrower who asks for his loan, but the lender's officer, who presses the loan upon him. An active officer, with a persuasive tongue and plenty of energy, so the Irrigation Commission of 1901–3 has reported, makes a busy market; an officer not gifted in the same way gets rid of no money. The money so advanced does not amount to very much. For the decade immediately preceding the Commission's Inquiry—which included one quite exceptionally heavy year—it figured at about £4,000,000—which is not a great deal for enormous India. The money appears to have been well repaid on the whole—though there is some testimony on the other side recently confirmed by Mr. R. A. Mant, Secretary to the Government of India, Department of Revenue and Agriculture. However the rigour employed—necessarily employed—in its recovery came to be felt as a sore ordeal and unquestionably acted as a deterrent to its use.

Evidently something better was needed. The late Sir Henry Storks, Sir William Wedderburn, Sir Edward Law

and some others set their brains a-working. In due course echoes of the brilliant work which Co-operative Credit was accomplishing in Germany and Italy sounded over to our Indian Empire. They seemed to carry in them a special message to the country whilom of the Moguls. Without question Indians, whatever their race or their creed, have a natural predisposition to acting in common. The Hindoo "village community," the brotherly principle imposed by the Mahommedan religion, have prepared them for it. In a small way they had even at the time spoken of tried their hand at something like Co-operation, for the raising of money, in the *Kuttoo Chitoo*, the *akharas* of the United Provinces, and the *nidhis*—formed in imitation of our Building Societies—in Madras. At the time when I began pleading for Co-operative Credit in this country, Sir Edward Maclagan and Captain Crosthwaite were instituting some experiments in a timid way with something resembling such Credit in their province of the Punjaub. Shortly after, the late Lord Wenlock—who was a staunch believer in Co-operation—as Governor of Madras told off Mr. (now Sir Frederick) Nicholson to study the question of Co-operative Credit on the spot, in Europe. Mr. Nicholson's Inquiry resulted in a masterly Report, the first, and most important, part of which appeared in 1895. He pithily summed up the substance of his teaching in the two words: "Find Raiffeisen!" Meanwhile I had discussed the question with Anglo-Indians in this country. They one and all took a highly favourable view of the prospects of Co-operative Credit in India. Some were delighted with my "Eureka." Sir Arthur Cotton, then a nonagenarian, started up with delight and declared to me—"That is the very thing for India; whatever expectations you may have formed as to results, multiply them by ten, and you will still find them exceeded." That was in 1894. I at once sat down and wrote a letter to the Secretary of State (Lord George Hamilton), calling attention to the insufficiency of Indian law for the purpose and urging that as "a first step" to the introduction of Co-operative Credit a law providing for the practice of Co-operation should be passed. The India Office received this, as it did all subse-

quent suggestions that I ventured to make, with evident appreciation, which developed into free consultation. In due course proposals were formed. And a Conference was called to sit at Simla, under the chairmanship of Sir E. Law, to consider the matter. As a possible assistance to the Conference I sent a parcel of my writings on the subject to the India Office with the request that they should be forwarded to Simla. However complimentary it was, I was not altogether gratified presently to learn, on inquiry, that the gentlemen at Whitehall had felt so warmly interested in what I had written that they had kept and studied the books sent there. At the Simla Conference Mr. H. Dupernex helped the matter forward considerably. He had a little more than a year before been told off by his chief, the Lieutenant Governor of the United Provinces, Sir Anthony (now Lord) Macdonnell—like Lord Wenlock a firm believer in Co-operation as a help, for the Indians—to undertake an inquiry on much the same lines as that of Sir F. Nicholson. I am afraid that his inquiry did not extend quite so far as it might have done. But his pleading was weighty. I myself had laid my opinion before the Government of India in a rather lengthy Memorandum, which evidently was well received and well considered by the Government. For in passing the Bill—which became the Act of 1904—the Viceroy, Lord Curzon, paid me the compliment of distinctly stating that it was in deference to my opinion that State aid had been cut down to a minimum. His words were as follows :—

" There is one point upon which there appears to have been some misconception and which it is desirable to make clear. I have seen it complained, and at an earlier period I have heard the complaint from the lips of an Honourable Member of the Council, that Government might have been a good deal more liberal in initiating so great an experiment, and that part of what we take from the people in land revenue we might very appropriately give back in capital for these societies. These views, plausible as they may seem, rest upon a complete misconception, both of the co-operative system and of the policy of the Government with regard to this particular scheme ; and I desire to supplement what fell from the Finance Minister on this point. It is not primarily because the financial contribu-

tions that might have been required to assist any new institution should be great, or because we grudge the money, that so little has been said about grants-in-aid by the State, but because the best advice and the teaching of experience are at one in the conclusion that unrestricted Government assistance is a dangerous, and may be a fatal gift. 'Prolonged and indiscriminate State aid,' says Mr. Henry Wolff, who is an unrivalled authority on the matter, 'is destructive of self-help.' For similar reasons no special powers of recovery of debt have been given to the societies. The object is to foster a spirit of responsibility and self-reliance; and it is because the societies must be dependent for their success on their own care and caution in the disbursement of their funds that it has been possible to dispense with restrictions on their powers in the Bill that would otherwise have been necessary. Government aid will be forthcoming when necessary, and there is more danger to be apprehended from excessive liberality than from the withholding of assistance where there is a prospect of its proving advantageous."[1]

However that a little anticipates the march of events. In 1900 Mr. Nicholson (as he then was) handed in to the Government a Draft Bill providing for the formation of Co-operative Credit Societies. That draft was communicated to me by the India Office for my opinion. I could not share the adverse view which appears to have been taken at Simla or Calcutta. But I found some points to criticize. Among other errors—according to my view—I found that the author of the Bill had covered too much ground, bringing in other provident organizations besides Co-operation. The India Office agreed with me on this point. But, in accepting that criticism, unfortunately it went to the other extreme, limiting the operation of the Bill to Co-operative Credit only. Sir James Wilson, as Secretary to the Government of India, happily to some extent corrected this mistake—which I had duly pointed out to Sir Charles Bernard, with whom my correspondence was conducted, and which was very rightly got rid of altogether by the subsequent amending Act of 1912. So curtailed, and put into proper shape, the Co-operative Credit Societies Act was passed in 1904. The measure was soon discovered to be incomplete, containing one or two *lacunae*,—as was only natural. In the first

[1] See *Lord Curzon of Kedleston's Speeches*, vol. III.

place, as already indicated, it cut its ground too narrow, by limiting its application to Credit Societies only, when evidently Co-operation of other forms was greatly wanted. In the second, it made no provision whatever for combination among co-operative societies in Unions or Central Banks—which in India certainly are a most important desideratum. Accordingly a second Act was passed in 1912, which in the main gives co-operative societies what they require. Using wise judgment, and basing its action on right principles—which were admirably explained on the introduction of the Act by the late Sir Denzil Ibbetson—the Government of India proved successful in its application of the new measure from the very outset. It was fortunate in having at the head of the several Departments concerned very able officers, who took up the question with unmistakable good will, intelligence, and readiness to listen to advice. And the Government was fortunate also in its selection of young men of energy and understanding, particularly suited for their work, for the newly created Registrarships. Not all, indeed, were in a position to do as Mr. W. R Gourlay, the first Registrar for Bengal, did, that is, go with me to the International Co-operative Congress, then just about to be held at Budapest, where, as President at the time of the International Co-operative Alliance (which had arranged the Congress) I could introduce him to all the leaders of the movement in Europe, whom he thereupon visited at their several headquarters, winding up with four weeks spent at Neuwied, then still the headquarters of the Raiffeisen Union, where he went through all the routine of co-operative credit society work, in committee and touring, and so acquired a thorough mastery of all the details of the work to be done. But, although other Registrars could not take up their studies in precisely the same manner, all, without exception, threw their heartiest good will, accompanied by healthy good judgment, into their work and, as a feature deserving special mention, developed in their conduct of affairs the most valuable qualification of resourcefulness in applying old principles to new surroundings, European principles to Indian conditions.

Under such circumstances the movement was bound to speed well—as indeed it did—all the more, since its principles were found to be thoroughly congenial to Indian temperament and Indian conditions. The task was a large one for a mere handful of organizers. For, to state one instance, Bengal alone, in which one Registrar was set to work, was in its undivided state larger than all Germany. But the success achieved was such as to dwarf anything that had yet been accomplished in a corresponding period in Europe. There can be no doubt that, certain more or less serious obstacles notwithstanding—such as gross illiteracy, extending to ninety per cent. of the population, heavy indebtedness coupled with habitual fatalist resignation to an "iron rule" fully as hard as that spoken of by Marx, caste prejudices, poverty (which, in the opinion of the earliest Registrars precluded all prospects of deposits coming in), lack of communications, want of easy means for the transmission of money and others—conditions generally were distinctly favourable. Hence Sir Arthur Cotton's sanguine prediction as to results exceeding tenfold any expectation which I might have formed came to be in substance fulfilled. The natural aptitude of the nation for common action has already been referred to. Poverty and Debt, the much dreaded bogies in the desired progress, are in truth the greatest stimulators to Co-operation, because they make the need of it most searchingly felt. The habit of receiving famine relief and *takavi* advances, on the other hand, rather militated against prompt success, as having habituated the nation to the receipt of Government assistance, which it was known that Government would re-collect through its officers armed with stringent powers. That created a stumblingblock to self-help. However, notwithstanding all this, from the very start one may say that Co-operative Credit proved a success in India. Registrars vied with one another in not only pushing the new institution, but also in adapting it, on the whole skilfully, to its new environment.

Nevertheless, as a matter of course, in an empire of about 320,000,000 people, nearly all of them illiterate, and burdened

with an incubus of debt, in which what is a comparatively very small staff of organizers were at work, the impression made upon the enormous mass of poverty and backwardness appeared small. To some minds the work did not appear to advance with anything like the desirable rapidity. Of late Sir Daniel Hamilton has clamoured for "100,000 organizers and 10,000 instructors." To natural impatience aroused by the apparently slow progress made no doubt it was due that Sir F. Nicholson, the whole-hearted advocate of Raiffeisen Co-operation in 1895, mistaking the motive and creative power contained in Co-operative Credit, in 1908 turned round upon himself and pleaded strongly for adoption of the totally different methods of the Agricultural Bank of Egypt, Lord Cromer's creation—which methods he had shortly before had occasion to study on the spot. The root of the difference between the two systems is this, that whereas Raiffeisen rightly makes the creation of security his corner-stone, as the first point to aim at, the system of the Agricultural Bank of Egypt bases its work on the provision of cash as the first requirement. The difference in the effect produced by the two systems severally is now very clearly apparent in the several results —on the one hand in Egypt, on the other in India. Lord Cromer, so it is known, felt decidedly proud of having been the founder of the Agricultural Bank of Egypt—which means that long before the same knowledge dawned upon our own Agricultural Authorities at home, he detected the crucial want of modern Agriculture and peasant life, that is, the want of money for working purposes. His first inclination went in favour of Co-operation. But, as he has owned to me—when serving on the Select Committee which considered my Bill in 1910 in the House of Lords—he had come to the conclusion that the Egyptian cultivators, the fellaheen, were not yet "ripe" for Co-operation. Now that was a very excusable mistake for him to make, but nevertheless a fundamental mistake. For experience has shown that wherever among poor and untrained people Credit is needed, the co-operative form of it is most readily seized and mastered, even among very primitive races—such as the abori-

gines of India. The Agricultural Bank of Egypt did the work for which it had been appointed as well as it was to be done under the circumstances. It distributed much money, advancing large sums and small, securing itself by mortgage or personal security proportioned to the known possessions of the borrower. Very elaborate methods were resorted to for making quite sure of the sufficiency of the security, necessitating considerable trouble to the borrower, by travel or by correspondence, with much Government assistance in the way of both inquiry in official registers—of valuation of holdings, assessment and other things—and recovery by tax collectors thrown in. However recovery certainly proved difficult. In 1913, out of about 40,000 loans out, about 2,500 were in arrear. In Upper Egypt the proportion of arrears was returned as 76 per cent. Against such a host of defaulters legal methods of recovery were out of the question. Another disappointment was that, instead of making the borrowers thrifty and industrious, improving their husbandry with the help of the working funds supplied, this method of lending money was found—as both Professor Arminjon and Sir Eldon Gorst, Lord Cromer's successor in the Consulate General, have placed on record—resulted in making them decidedly wasteful, reckless and improvident. The Five-feddan Act, adjudging "homestead" privileges to the very properties in behalf of which the form of Credit had been organized, gave this part of the Agricultural Bank's business a quietus. And, however excellent and successful may be its management as a business bank, as an "Agricultural Bank" of a *popular* character it has by that Act lost its *raison d'être*. Rightly enough are the Egyptian authorities now preparing to introduce co-operative methods, for which indeed the Agricultural Bank itself, by offering advances to "groups" of cultivators, is planing the way.

The Government of India, in response to Sir F. Nicholson's recommendation, in 1908 inquired into the working of the Agricultural Bank of Egypt, and found it wholly unsuitable for Indian conditions, since the principal postulates upon which it is based are lacking in India.

Well, in the way explained Co-operative Credit has been established in India—mainly of the Raiffeisen type—adapted to local circumstances. And we know the result.

Take first such results as can be recorded in figures. At midsummer, 1917, the number of co-operative societies registered under the two Acts referred to stood at 25,036, with 1,045,452 members. Almost all of these are credit societies, and the overwhelming majority of them are rural. These societies at the date named disposed collectively of a working capital of £8,152,812, composed of a little over £1,414,888 share capital, supplemented by £613,619 Reserve Funds, £6,009,324 deposits (from members and others) and only £114,990—1·4 per cent. of the whole—advance from Government. Deposits from members alone—a class of people from whom I was warned in 1904 that nothing worth speaking of could be expected—amounted to £526,106—nearly five times as much as had been contributed by the State. The amount of money then actually outstanding in loans—which of course overlap the financial year—is not given. The money lent out in the preceding year amounted to £2,827,765. The management expenses came out low and the losses endured were absolutely trifling.

I put it, whether after practically only twelve years of working on quite new ground, which certainly was at the outset raw, and was by many pronounced barren, laboured upon by a mere handful of organizers, this is, even only financially, not a result to be satisfied with. Compare that with what *takavi* had done in the decade ending in 1901. An enormous breadth of ground of course remains still unworked, an immense amount of work remains to be done. And all that has been accomplished has not been smooth working or plain sailing. But proverbially *c'est le premier pas qui coûte.* And by the light of the progress which Co-operation, once it comes to be understood, is known to have made in European countries, most notably in Great Britain and Germany—for we do not yet know how the veritable wonder-crop which emancipation has brought forth in Russia will stand the stress of political reconstruction—one may well claim that in this instance, according to another proverb,

principium dimidium totius—the beginning is half the accomplishment. The spare buds put forth, one by one, at long intervals, to open, at the outset, into delicate blossoms, have in those countries proved the heralds of a rapid bursting into bloom, all the country over, of rich crops of fruit-containing flowers, by scores and hundreds in aftertime. And in India, so it deserves to be observed, wisely no effort has been made to hasten the progress. Quite the reverse. What has come up has grown spontaneously. Registrars have judiciously kept people back, restraining their eagerness, in order, in the earliest stage —in which success tells, and failure tells still more—to produce nothing but what is essentially good, fit to serve as a model to others. Had they laid themselves out for "Potemkin villages," they might have had more than twice the present number to make a show of. The rates of interest have advisedly been kept at moderate current market figures, 5 to 8 per cent. being allowed on deposits, and 6¼ to 10 per cent.—in a few exceptional cases 12½ per cent. —being charged on loans. Shares are allowed from 6 to 12½ per cent. dividend.

It is, by the way, a decidedly healthy and promising sign that in India, poverty-stricken and debt-burdened as the rayat class is understood to be, whether the system adapted be that of Raiffeisen or any other, the majority of people combining distinctly ask that there should be shares. Unused to business as they may be, they instinctively perceive the value of the possession of some society money of their own, as improving their position, and do not grudge a little sacrifice to provide it. In Europe there are co-operators galore who act in the opposite way—as see Herr Heuzeroth's revelations showing the proportion of liability to ready assets in many German Central Banks, more specifically of the Haas type.

The sums which have in the manner shown, been raised in India—a country in which cattle, implements, produce and domestic requirements cost little money; where wants are modest and living is simple—must have done a deal of good. For one thing, they have assisted many thousands

of rayats to get out of strangling and smothering debt to the mahajan. Debt has, in fact, from a permanent burden not to be shaken off, become distinctly a temporary and removable load—removable within a very reasonable limit of time. At the co-operative societies' rate of interest a debt which seemed doomed to hang like a millstone round a family's neck during generations, has become a burden which a few years' economy will shake off. Accordingly a new economic light has dawned upon the rayat population, a new horizon has been opened before their eyes. There is room for hope now. And that hope has thus far not "made ashamed."

However, if we would ascertain what Co-operative Credit has come to be worth to India, we must look farther than to mere financial results. Those financial results, though most visible to the commercial eye, in truth count for less in the balance sheet of national gain and loss than the secondary effects, which help to shape the well-being and character of the people. Feeling at last, after a long wait, *terra firma* under his feet, the Indian rayat has inhaled something like a breath of new life. Wasteful and improvident as he was, he has at any rate begun to appreciate the value of thrift. He deposits; he lays by. And, recognizing the value of the new institution, at any rate a small vanguard of the still hoarding army has come forward to deposit some of its "stocking," or rather buried, money for the promotion of what has come to be recognized as a national cause—a cause which one Registrar, a native, has frankly pronounced "the greatest benefit that India has yet received." There is promise in this. For the total sum hoarded is understood to be considerable. The effect of the lesson of thrift and economy learnt is to be seen at more points than one. Among other instances, the costly ceremonial functions, which stand the rayat class in so much ruinous expenditure, have begun to assume a more benign character. While the Hindoo who married his daughter, or the Mahommedan who buried his dead, had only the mahajan to go to for the money required for a luxurious wedding or an ostentatious "sradh," neighbours, looking forward to a sumptuous feast,

were pressing in their admonitions to "do the thing handsomely." They would of course share in the feast. And the mahajan saw his opportunity and opened his purse freely—at a price that the borrower did not consider at the time, but was made to feel bitterly when settling day came. Now that the founder of the feast has the co-operative credit society to go to, the neighbours, who may be made responsible for the borrower's default, advise in a very different tone, and the society is keenly critical as to the applicant's fair requirements. The consequence is that less money is wasted and less debt is incurred.

But these are only incidentals. At the bottom of them all lies the fact that the race which for a long time past had fatalistically resigned itself to a patient, hopeless bearing of a load which appeared imposed by Providence, has been brought to see opportunities of a future before it. The sky is no longer all grey and lowering. The population, with its ninety per cent, of illiterates, has become eager for Education. So eager is it that, not content with crying out for it, it already taxes itself to provide it. In default of schools and schoolmasters provided by the Crown, it has in some cases made its secretaries of societies throw into their regular work some hours every week of tuition to the children of members. And not satisfied with that, not a few societies provide their own schools out of their poverty. Or else they pay the schoolmaster, judging, with Solomonic wisdom, that knowledge is worth more than money. The Education asked for is not only to be general. Agriculture is the great industry of India—who tilled their land according to well thought out rules at a time when in our northern climate uncivilized natives still hunted the bear and the wolf. But quite new life has now been infused into Indian Agriculture, which has able leaders scattered over the country to supply the brains and give the necessary lead. Improved methods, perfected implements, pedigree seeds, better reared live stock are coming into vogue. There is great promise in this. It is not only the wheat area—now grown to 35,000,000 acres—which bids us hope for ample supplies. Sugar, coffee, indigo—plenty more crops beckon us with a coming cor-

nucopia. To Indian soil water is everything. There is plenty in the rivers and beneath the soil. Now people combine to irrigate co-operatively—having brilliant results in the United States, where the co-operatively organized irrigation works are out and out the most successful—as examples before them. Co-operation is at length making cattle insurance, the great need of Indian cultivators—among whom animal mortality is a painful scourge—common. Under the guidance of enterprising and resourceful Registrars India has already shamed us by carrying out land settlement on co-operative lines, apparently with good results and more promise, Burma, which has been happy in the possession of original-minded Registrars, leading the way. And the magic wand of Co-operation has been shown to have gifts in store also for non-agricultural breadwinning callings. The small domestic and hand industries, which to India, with its conditions so different from our European, mean a great deal, are reviving under the stimulus of Co-operation, which brings them money and already also a better market. In this matter weaving—both of silk and of cotton—takes the lead. But others follow in the wake. That means a better livelihood by and by probably for millions.

Next, let me add, Co-operation has already to a quite noticeable extent proved—the same as in Europe—a social peacemaker, so far as its sway extends. Registrars at all points report a distinct decline in litigation, which used to be rampant. Persons having a difference come to their society—as in Italian societies to their *probiviri*—to have their quarrels adjusted in amity.

And—last, not least—Co-operation is powerfully drawing people together in other ways also, to common action and neighbourly, not to say brotherly, feeling. It is teaching them the lesson of mutual interdependence and leading them to support one another with mutual aid. The "bundle of sticks," which can stand, where the single stick is doomed to break in two, is gradually being tied. That ancient "Indian village community" is a tradition still dearly cherished among Hindoos. In practice it has virtually

disappeared. And life has become harder and more wearisome in consequence. Co-operation is bringing its soul back in a new, modernized body. The fact is recorded in more official documents than one. Co-operation is making "men," in Mr. Gladstone's sense; and it is "making" communities. It is creating a new and better country life, similar to the "new world" discerned by Professor von Dobraasky in the co-operative communities of Rhineland.

And all this has been brought about while we in England have gone on fruitlessly groping for a solution of the very same problem. We began professing to organize Co-operative Credit in 1893. Our Small Holdings Policy was started in 1907. And where are we now? India began in 1905. The lesson taught by the comparison is that which "Dr. Slop," like ourselves would not learn, namely, that there is a "right" and a "wrong" end, a "right" and a "wrong" way of doing things. And *we* have, in Lord Salisbury's phrase, "put our money on the wrong horse."

I should not wish it to be inferred from what I have said, that in the province referred to all is already actually perfect in India, or that people there are as yet at all near the end of their progress. However the mistakes made and the false lights set up in some quarters concern the Indian organizers rather than the general reader. There is in India only a small organizing staff, which is set to deal with an immense mass of untrained, unbusinesslike and, on the top of all, illiterate humanity. Under such conditions—the whole thing being worked on raw ground—abuses and mistakes are bound to occur. Since the Government after all contributes something to the funds of societies, although rightly in a moderated and strictly temporary way, it has in many places come to be assumed that in spite of all protestations to the contrary, Co-operative Credit is only a modernized sort of *takavi*, in which membership is only an outward form and, the help rendered being taken to be Government help, no acute sense of responsibility has been awakened. On the whole, however, repayment has been good. Committeemen have in some places, like carvers, thought mainly,

if not exclusively, of themselves, allotting all the loans to themselves, and gladly extending time for repayment to one another. And the "panch" being held in reverent esteem, especially in the absence of supervising councils —which are for the moment still impracticable—control of the Managing Committee has remained a weak point. Rightly appreciating the value of combination among societies—which in India is an absolute necessity—by means of Central Banks, organizers have come to regard such Central Banks as the "pivot" institutions of the movement, the authorities to direct local affairs, as well as central, and act as overlords and suzerains to the local societies—which, in truth, it is their mission rather to serve than to domineer over. This is a mistake, of course. For it is the local society which educates and brings home the responsibility, which Co-operation imposes upon the individual. The Central Bank is there to gauge the security offered by the local society as a whole and to provide money accordingly. But this fault, one may hope, will be rectified. Again, the principle of combination has been given a rather dangerous form in "guaranteeing unions," which make things easy for the money-providing Central Bank, but interlock liability. The main cause of such aberrations evidently is that there are too few to work the useful machine, especially as dealing with a boundless public utterly deficient in education.[1] The Central Provinces indeed have their eighty-four Moharrirs, and Bengal has its 150 "supervisors." What these people may be worth, it is impossible at a distance to determine. But, generally speaking, it may certainly be said that the movement is understaffed. As a matter of course far more responsibility than there ought to be in later stages has thereby been thrown upon the Registrars. The Registrars appear otherwise to have well understood their position and their task, and to have taken care not to "officialize" the movement more than could be helped. They have thus far advisedly kept out political—subdivisional

[1] I have argued this question more fully in *Co-operation in India*, published by Messrs. Thacker, Spink & Co. of 2 Creed Lane, and Calcutta.

and district—officers. It is only now that the Government, discovering the want of additional man-power, has begun to try to draw such officers into the movement, which is a mistake—just as is the proposal made to bracket the Co-operative Department administratively with the Agricultural, each of which has its own duties and neither of which ought to be placed *under* the other. It would be far better to strengthen the staff working under Registrars. The Registrars are officers of the State. But they are wisely not making a State institution of Co-operation. Rather are they honestly trying to train co-operators—very gradually, it must needs be—to management of their own affairs. A very useful move in this direction, by the way, is that initiated by Mr. J. T. Donovan, of Bengal, of forming Organizing Committees of volunteer workers. So far as that can be done, staffs of volunteer workers, who can take a personal interest in the matter and know their locality, want to be created and multiplied. Officials as the present leaders in the matter undoubtedly are, the movement can nevertheless under existing circumstances not in fairness be spoken of as an "official" movement, like some that we have in Europe. But, overdone as they are, Registrars have very excusably come to seek relief in their overburdened state in more or less mechanical methods, which necessarily weaken the co-operative spirit and relax fibre, and so tend to "un-co-operatize" their own co-operative creation, shifting the burden of security from the character of the borrower and his opportunities for turning borrowed money to good account, on to his attachable possessions. The Government would do well to provide additional aid for them, above all things in the matter of inspection and control. Control is the hinge upon which the whole business turns. And, beyond that, there is a great deal to be accomplished by the furtherance of general Education. For the most serious obstacle to a spread of Co-operative Credit is illiteracy. Every deputation, so says Sir Daniel Hamilton, that has waited upon the present Governor General and the Secretary of State, has pressed upon these rulers of India the paramount need of the adoption of a general system of

elementary education. Would that the admonition to which Sir Daniel has given expression were given heed to!

On the whole certainly the Co-operative Movement in India must be pronounced sound, reared up on a sure basis and correct lines, rightly kept in check, instead of being injudiciously pushed, and full of promise. Unquestionably it has taken firm root among the population, and it is steadily, if carefully, throwing out its shoots and spreading out its suckers. It is bringing wealth to the country, in those finely subdivided atoms distributed over the millions of popular working parts, in which such addition of wealth most tells, creating productive power and improving the gift by the corollary of provident habits and skill in business. It is drawing races together, breaking down walls of caste, leading people to assist one another and, above all things, raising character. If the German *bauer* has benefited in knowledge, and insight, and character, by Co-operative Credit, as it is generally admitted that he has; if the French cultivator has, under the "wonderworking"—Lord Reay's word—Agricultural Syndicates become a better instructed and therefore more valuable citizen, if the Serbian peasant has learnt, under the same tuition, to give up "slivovitz" and gambling, and to educate himself, similar benefit accruing to the Indian rayat promises to prove at least equally great, because circumstances are decidedly more favourable to the result in India. And the improvement will tell on a much larger number, with plenty of opportunities for good work placed before men. Indian Co-operation is an achievement for which the Indian Government may well take credit and from which we in Great Britain should do well to learn a useful lesson. That lesson is, to do things in the right way, to lead people to co-operate instead of teaching them to look to "takavi" fairies for help, and, in organizing Co-operation, above all things to aim at *training co-operators* rather than to distribute a maximum amount of money. It is *co-operators* who make successful Co-operation. Looking at what Co-operation has already accomplished for India, and what more—very much

more—may be looked for as coming from the same source, probably the Indian Registrar already quoted was not far wrong when he spoke of Co-operative Credit as constituting "the greatest benefit that India has yet received."

CHAPTER XVI

"Assisted" Co-operative Credit

The foregoing review of various systems of Co-operative Credit now in use—which review, I think, although necessarily condensed, may claim to be comprehensive—will, it may be hoped, have made the principles upon which Co-operative Credit is generally based, and the various methods of their application according to each particular environment, sufficiently clear. It remains to discuss a point, now very much to the fore, wherever Co-operative Credit is either practised or else being laboured for—a point of unquestionable importance, namely this : what ought to be the attitude of the community, as organized in the State, and directed by the political authorities, towards Co-operative Credit ?

If Co-operative Credit is a beneficial institution for the community, then it seems to follow that the community should do what it can to favour and further it. That may be done in a variety of ways.

Now one peculiarity of Co-operative Credit is this, that at its birth it is invariably feeble as a baby. It possesses no funds, but it is precisely with funds that it will have to work. And those funds must be other people's funds. For a credit society working only with the funds of its own members would be nothing more than a mutual aid society, qualified, with its necessarily very narrowly limited means, to accomplish only very small things.

In this respect the position of Co-operative Credit is different from that of all other forms of Co-operation. The distributive co-operator begins with his custom, an unavoidable outgoing to him in any case, which he makes productive of money by transferring it from the shop to his

own store, keeping the dealer's profit so saved to himself. The productive co-operator begins with the labour of his hands. The Paris paviors paved, and the co-operative stone squarers squared stones; the Italian *braccianti* sold their labour collectively, in order out of the "middleman's" profits now accruing to themselves, to save up a capital such as has enabled them to take up large and ambitious contracts, or else to farm land collectively on their own account. The credit co-operator has nothing to start with but his resolution and his honesty. The crop which he hopes to reap—and which is a good and remunerative crop—of necessity requires seed. And that seed, so it is plain, must come from outside. Schulze, Raiffeisen, Luzzatti, all of them had to beg the first endowment for their several movements among their friends—to be given from sheer good will, on the chance of success.

Now, that being so—and it being admitted that Co-operative Credit must be a benefit to the community—would it not be proper for the community, organized as a State, out of common means to provide the cash that is wanted to awaken the embryo into life? The money must be got. The State has it.

Now this reasoning, specious as it is, and plausible as it appears to be, labours under the incurable defect that it is based upon an entirely false premiss. Assuredly it is the interest and, one might say, the duty, of the State to encourage and befriend Co-operative Credit, since it has in practice been found a most helpful ally to itself, not in the matter of finance only, but also in that of education and really all that makes for popular prosperity and that "*ordre et économie*" which d'Andrimont has claimed as its infallible proper children. However to give aid in the way here suggested would be to "un-co-operatize" Co-operation from the outset, and so to destroy all prospect of its doing the very good which it is designed to accomplish. The argument employed assumes that it is the presence of *money* which makes the co-operative scheme co-operative, whereas in truth it is the *co-operator* who by his work ensures the presence of money. Without co-operators you

can have no true Co-operation, as the late G. J. Holyoake has often very impressively pointed out. Money will not make the man. But the man may well make the money. His credit is expected to be not a mere borrowing, but a creative force. It is not to be a parasite like the luscious plant of ivy luxuriating on the trunk of a tree, of which it eats out the pith and rots the stem, but a forest of new trees growing up on soil made valuable by it and providing a newly created crop of hardy and useful timber. It is not to take money out of one man's pocket in order to put it into another man's purse, but to bring forth new value. The operating factor in Co-operation is the co-operator. And who would have Co-operation must see that he secures such, and not flatter himself that he has done what is needful by providing the material with which that man is to work.

It is one of the greatest, if also one of the commonest, fallacies, to argue that because, obviously, without money there can be no Co-operative Credit, therefore forsooth the first requisite for Co-operative Credit is money. Money is plentiful as air. It is, as the late Lord Salisbury put it, "overflowing in the coffers of the bankers." The builder's task in devising a system of ventilation is not, by means of a magnified air-pump to force air into his newly built house, but so to arrange his flues and conduits, that air will come in without forcing—and that pure, and not vitiated air. In precisely the same manner is it the task of the Credit Co-operator so to arrange his organization as to clear the passage for his "air" to come in freely, of its own accord. In other words, he will have to provide for the free inflow of money offering itself by good security produced.

The plea of the necessity of State aid in the shape of money for business purposes is strongly refuted by the existence—the very flourishing existence—of such co-operative organizations as the "Unions" of Schulze-Delitzsch and of Raiffeisen, and the *Banche Popolari* of Italy, which have all of them grown up without ever receiving a stiver from the State. And their results completely dwarf those attained by the State, Church or Magnate aided organiza-

tions anywhere, alike in volume, and still more in quality.

It is not without interest under the present aspect to draw a comparison between the two orders of organizations.

To see State aid in full force we have—besides smaller states, such as Roumania, Bulgaria, etc.—to look to Germany, Austria, Hungary, France and Russia. There we see it luxuriating like a green bay tree. The German *Preussenkasse* (the State-endowed Central Bank now operating over the whole whilom Empire) alone has £3,750,000 written up against it as a taxpayers' gift towards its funds—besides which it is likely to have a good deal of deposit money standing to depositors' credit. And there are other Government agencies in Germany besides, dispensing money in the same way. What Austria and Hungary have raised and advanced it is in the present chaotic condition of the whilom "Dual Monarchy," not of statistics alone, impossible to estimate. However we know that the sum must be enormous, because Austria's own official chronicler in the matter, Dr. Ertl, has proudly taken credit for it that Austria is the greatest State aider in the world.[1] Hungarian Magnates likewise take pride in their unstinted patronizing liberality to "Co-operation." Russia has handed over to Co-operative Credit something like 500,000,000 roubles. On November 1, 1917 the figure stood at nearly 474,000,000 roubles. France has taken £8,000,000 of Bank money, really belonging to the country, for its *Crédit Agricole.* I would not bracket Italy with these State aiders. For though it has provided money freely—for the most part out of the funds not of taxpayers but of Savings Banks and cognate institutions—the doles which it has given towards its *Credito Agrario* can scarcely rank as having been given to "Co-operative" Credit—though they have undoubtedly gone to "Credit," which does not appear to have benefited very greatly by the service so rendered. It is really designed as a means of *creating* "Co-operative Credit" in backward and poverty-stricken districts, in which Co-operative Credit

[1] See Dr. Ertl's paper in the *Report of the Sixth Congress of the International Co-operative Alliance, held at Budapest in* 1904, published by P. S. King & Son Ltd., Westminster.

—the object ultimately aimed at—will not yet spontaneously take root. Certainly it has not yet done so. However there are people besides myself, knowing the country well, who agree with me in judging that the cause in fault is other than the need of State aid. The *Cooperazione Rurale* has pointed to the insecurity of tenure of the *contadini* in the backward districts as a cause, men who can scarcely be expected to join a co-operative society when they do not know that their tenure is worth a week's purchase. And the *Tribuna* points to the *contadino impreparato* as the obstacle in the way. If he is to co-operate, he wants, not State money, but education and tenant right. As matters stand now he has neither the one nor the other. He does not at present know what Co-operation would be worth to him. And he cannot accordingly be expected to undertake liability—which in his own case would not be worth much to his creditor—when his landlord—a very grasping gentleman he is in Italy—holds the sword of Damocles perpetually over his head. We have seen a very similar problem dealt with in Egypt, and we ought to have gathered wisdom from the lesson. Lord Cromer, as he has himself owned to me, proceeded in something of the same way in Egypt—providing public money likewise at first in a patronizing manner—because he judged the fellaheen, who were to be helped, "unripe" for Co-operative Credit. Now for an "unripe" man Co-operation is the very best teacher of the use of Credit that can be found. If he really is "unripe" for that, he is "unripe" for everything. We see the proof of this in the altogether different results attained by the co-operative credit institutions in India, working likewise among *contadini impreparati*, in truth *impreparatissimi*. Co-operation is out and out the best teacher, who succeeds even with uninstructed folk better than any other, because, by making people do things for themselves and placing them on their responsibility, it leads them to understand what things are. It trains them, as we see in India, to the use of Credit, whereas State help, as we see in Egypt, accustoms them to its abuse. Let the Italian Government give its *contadini* in the south and in Sardinia and Latium security

of tenure, as we did the Irish tenants in 1880, and make them *preparati*, and then see whether Co-operative Credit unaided by the State will take root or not! By the light of Dr. Baccaglini's official Report on the "Credito Agrario" one can scarcely judge the State-aided operations in the south, in Sardinia and in Latium an unqualified success.[1]

As against the State-aided institutions, we have, as institutions based upon pure self-help, the two Schulze, Delitzsch Unions, severally of Germany and whilom Austria, the Luzzatti *Banche Popolari*, and the Raiffeisen societies. Now one sole look at this side of the imaginary picture and at that is sufficient to show the glaring difference—for our present purpose, let me say even only in material output. These institutions have set sums in motion which completely dwarf the output of the State-aided Unions. They have also everywhere assured, in the aggregate, better turning of the sums dealt out to account. And certainly they have produced an altogether larger output of co-operators, who have become a new living asset to their country, in the shape, not of material only, but of human machinery, which knows how to convert material provided into valuable new products.

What are, so one may ask, the objects for which State help—and other help, coming in the shape of doles—such as that rendered by the Church of Rome and the Hungarian Magnates—has been resorted to? The label-plea of "paternal solicitude" for poor peasants, for Agriculture, etc., is paraded, of course. That goes without saying. However, when we have it on record that even so great a moral hero, as W. E. Gladstone undoubtedly was, did not, when bringing in his two Savings Banks Bills, in the sixties, "dare to avow" his real object, which was, as he has confessed (Lord Morley has put the confession on record in his *Life* of the great Prime Minister), not so much to do unadulterated good, as, by opening an independent source of money for the Chancellor of the Exchequer, to make him "independent of

[1] *La Legislazione Italiana sul Credito Agrario. Cenno storico-critico dell' avvocato Alessandro Baccaglini. Ministero di Agricoltura, Industria e Commercio.* 1911. (There is no later Report.)

the bankers," we shall have to take that conventional plea with the proverbial grain of salt.

One rather odd feature about all this State-aiding is, that it has been scrupulously restricted to one interestonly, on which indeed it has been poured out in lavish abundance. That interest is that of the rural population. There is practically only one attempt on record as applying to an industrial constituency—and that attempt has failed. Prussia has tried her hand on a restricted group of " traders "—and has not succeeded. In that case the " object " is admitted to have been, to get the traders away from the " Liberal " side, to which Trade naturally inclines. They were to be bought off, as the Normans were by Charles the Fat. Austria has likewise dabbled a little in State aid to industrial co-operative Production. And it has lost its money. France is now operating in the same way, but then France is in an essentially different position from the Teutonic ex-empires. It is republican, and under French traditions is bound to bid for the workingmen's vote. That vote has to a certain extent been secured, but by a precarious tenure ; for it has been found to be a most successful trainer for Socialism, which, when you give it an inch, asks for the proverbial " ell," and will not be satisfied till it gets it. And it cannot be said that French productive Co-operation has at all gained in quality or fibre by the gift. Quite the reverse. It has become less self-reliant and not more prosperous. Evidently industrial populations are, generally speaking, an unresponsive population to work upon in this way. The *rustica gens* is far more easily gained over and led. In Germany we have seen how State aid has been applied to bribe the rural population, whose votes count, in support of the ambitious " world policy " of 1914. At the same time the acting head of the aiding organization, Dr. Heiligenstadt, the President of the State-endowed Central " Co-operative " Bank, has in a moment of undiplomatic candour publicly owned that the Government's object was, in the shape of his Institution " to give a head to Co-operation which, without such official head, might have become a *danger to the State.*" That candid confession tells an instructive tale.

In Hungary we have seen that the object of Magnate aid was Magnate dominion. In France we have seen that State "manna" is the buttress of Republican party domination against supposed—but not proved—"Royalist" intrigue. Wherever the Church of Rome has loosened its purse strings and sent its cavaliers into the field to bring aid, such benevolence and solicitude has invariably been unmistakably bestowed for the purpose of ensuring support to the Church—even potentially, as is now apprehended to be the case in Italy, against the established Government.

Therefore the altruistic protestations of the bountiful patrons of State-aided Co-operative Credit are not altogether above suspicion. There is such a thing as "egotistical altruism." And such suspicion cannot fail to expand as we pursue our study of the action, to which this munificence gives rise.

Let us advance one step further.

Whoever gives is naturally entitled to couple his gift with conditions. That is quite plain. It is not only our Board of Agriculture which, when making itself responsible for a handsome gift to the Agricultural Organization Society, has openly claimed, through its chief representative, the right to call the tune, since it paid the piper. Gifts intended for a determined purpose undoubtedly require to be safeguarded for that purpose by conditions designed to guard against abuse. And such conditions naturally involve surveillance and interference. It is the scorpion's tail of conditions and surveillance which contains the poison which we see at work. The State, the Church and Magnates are past masters in the art of putting in their claim for *la part du diable*. The money provided itself might not perhaps be overhurtful, provided that the advance was clothed in a really business-like garb, which of course in the case of State-aid is a matter of difficulty. But the meddling from outside is a deadly bar to true Co-operation. *Acceptons le contrôle; refusons l'intrusion*, the late Eugène Rostand's saying, truly represents the answer that co-operators should give to official interference in their own affairs. An official department can no more

prescribe understandingly what a Co-operative Society requires than a German or Russian bureaucrat could devise a constitution to suit the conditions of Great Britain. Credit, more in particular, is a matter for judgment and discrimination as between case and case, and calling for independent and elastic treatment in each application, and not a matter for a cast-iron formula or procrustean measuring —such as alone the State, and other patron-benefactors, can apply. To the credit bank Tom, Dick and Harry are distinct persons, all with distinct claims. To outside patrons—more particularly to the State, which has to deal with "citizens," all to be placed on one level—they are all alike. You cannot discriminate between citizen and citizen. Your "discretion" necessarily in such case becomes a matter of mere rote and formula. There can only be mechanical rules, such as destroy the necessary conditions for prudent credit, because the determining authority is not able to distinguish between person and person and is not sufficiently Briareus-handed to be able to act at all the hundreds of thousands of points to be provided for. On the other hand, "self-determination," as it has been called, coupled, as it naturally comes to be, with direct responsibility, powerfully evokes that sense of responsibility which creates sound discriminating judgment, the quality on which in the dispensation of Credit everything depends. Mechanical formulas absolutely destroy it.

We observe the effects here pointed out very distinctly in the several organizations already alluded to. And we also observe that interference from "above," once introduced, never grows less, but invariably grows more—the *coup d'état* of the Prussian State-endowed Bank against the Raiffeisen Union in 1912 constituting one of the most telling instances. After a time of feeding the cow, the farmer looks for milk. The feeder wants his return. Apart from that, it is really quite natural that interference once started should become extended. For the methods adopted cannot, by their very nature, effect their desired object. They are too formal and too mechanical. Therefore it is thought necessary from time to time to stiffen and sharpen

them, clapping new regulations on the old, in order to make them more effective, until there is a tangle of regulations interlocking and neutralizing one another, which infallibly chokes good business. We have seen the effect in Hesse.

In none of the State or otherwise aided organizations do we see the effect produced which the aid given was avowedly intended to produce and that we observe growing up lustily where self-help is relied on—to say nothing of the enormous sums of money which self-help is found to create in comparison with the output of State aid. There are many bad debts, there are numbers of liquidations; there is much bad practice —and there is no moral, intellectual and social raising, no turning of co-operators into better men. That is only natural, because they are not required to become so, as in true Co-operation it is necessary that they should. And hence they become so.

Avowedly State aid is intended to serve as "mother's milk," to provide the first nourishment for nascent organizations, enabling them after a time to shift for themselves. In India that has been done. Under the wise dispensation there practised State aid has in effect acted as "mother's milk." It has set societies upon their legs. And within a few years it was found in each case to have become superfluous, because societies had gathered sufficient force to take care of themselves, which shows that under exceptional circumstances there are cases in which the State, State as it is, may help to good effect, even with money—money for business. Would that some modern Caspar, Melchior or Balthazar, walking in the footsteps of the three sacred Magi, would carry such eastern wisdom to our backward West! In India the "circle" of *wholesome* State aid has actually been "squared"—just because there were no "by-ends" and statesmen were, moreover, content to act upon co-operators', not on "State-crafters'" advice. But in the great majority of cases this is not so. In Europe the result has been all the other way. The appetite for State aid once awakened, has constantly kept increasing. Whereas India has seen its quota of State aid progressively decreasing

to a mere 1·4 per cent. of the working capital employed, Russia, France and Germany have steadily had to add to their donations. As a natural complement irritating interference has correspondingly waxed greater and more hampering. For, whatever private persons may do in similar cases, authorities never give without asking for something in return. And whoever asks for more money has in reason to pay the price. And that price is heavy. Not in the shape of interest, of course. For the meat with which the hook is baited is advisedly apparently cheap interest. But it has to be paid in something that takes more out of the "assisted" society than mere payment of interest. The society "assisted" becomes a dependant, crippled and cramped in all its dealings. Haas was not merely vapouring or talking at random when in 1898, at the Carlsruhe Congress of his Union, he owned to me that he was heartily sick of the golden chain with which the Prussian State Bank had thus far kept him bound, and that, with his £150,000 in deposits, he was determined to make a vigorous effort to set himself free. The late Lord Salisbury on one occasion pictured to the House of Lords the unenviable condition in which the denizen of London then found himself, with the "nuisance man" and an army of other "inspectors" prying into all details of his existence and prescribing and interdicting at all points. That is what the "assisted" society has to put up with. And we see the result in more besides the Hessian bank crash. A man with his legs tied cannot run. The iron had entered into Haas' soul. It is the same everywhere under the application of the same treatment. The French Agricultural Syndicates did not grow disgusted with the official *Crédit Agricole* and resolve to set up for themselves for nothing. Neither did the Raiffeisen Union rebel against the Prussian State Bank revealing its cloven foot, without cause. And even tying the hands of the organization "assisted" and spoiling their business by making it a matter of compliance with mechanical formulas is not all. The "assisted," and therefore State-dominated society fails necessarily in its "educating mission," as the *Tribuna* has called it. That is the main fault which the

Tribuna finds with the Italian Stated-aided *Credito Agrario*. Foolish indeed is the "co-operative" society which in its initial weakness calls for State help. It will find itself in the end like the horse in the fable, which invited the man to seat himself upon its back to help it to run down its enemy the stag. The man accomplished the feat; but, once the thing was done he would not get off again.

A "private" assister, or a Church, though producing a worse position than a society acting for itself, is nevertheless still a more beneficent patron to deal with, than the State, with its changing personnel and its red-tape habits, and likely to prove a more lenient master. There is for these patrons some power of what oculists call "accommodation" left, which permits them to suit their action to the case, though not much. For the State there is none. Its precepts are necessarily cast-iron precepts—or they would be worth nothing; and in their application and checking by individual officers there is a "worse" but no "better." For the officer cannot release the society, though he may add his personal dictation. It is on that account that M. Luzzatti and his Union vigorously combated, and by their resistance rendered actually impossible, the Italian Government scheme for inspection of co-operative credit societies, which, so I must confess, appeared to me, as it was verbally explained to me by the Minister in charge of the measure in 1914, quite acceptable. But the Italian co-operators would not have State officers to inspect their societies in any form, even though held only in reserve.

One object for which State help is advocated and invoked is that of making the movement speed. "We want banks formed." That cry is now heard even in India—where, thank God, the movement has sped exceptionally well—because it will not to their mind cover the ground fast enough. Governments can indeed—as Count Mailath, now at the head of the agricultural co-operative movement in Hungary, has pointed out with apparent pride—do a great deal to further a co-operate movement and make it expand over a wider area.[1] Officers of the Government may press

[1] See Count Mailath's paper in the *Report of the Proceedings of the Sixth Congress of the International Co-operative Alliance* in 1904.

people under them to form societies and favour the latter in various ways. And when their reward for such action is promotion, they may be trusted not to miss their chance. They have been active in this way all over Germany, they have been so in France; and they have shown themselves particularly alert in Austria and Hungary. But what are the results? And, first, as to number. The number grows. However, an official statement of only a few years ago records the disappointing fact that in Austria, of 15,953 societies formed with the help of State aid, no fewer than 3,600 have been again dissolved. And in the official "Statistische Mitteilungen" of Vienna, of 1914, I find this typically characteristic statement: "There has been a setback surpassing all expectation." It had been bad enough before. But it had grown worse in 1913. And things are not likely to have improved since. At some points there had been more dissolutions than formations. Jonah's precious gourd had grown up fast, but had been promptly pricked by the "worm." Potemkin make-believe villages had been set up to look pretty. And after the Empress Catherine had passed, to take pleasure in the sight of them, the rain had promptly washed the faked structures away. Now is that what we want?

But there is a graver point to look at than mere numbers. What are the hothouse-formed societies worth? We see in France—to single out only one example—that State-made Co-operators shirk alike liability and the small sacrifice which results in the accumulation of adequate reserve funds. Their society thus becomes nothing but a receptive sponge which absorbs its water from a foreign source to give it off again, as it is squeezed, rotting all the time with perpetual moisture, instead of proving, as was expected, that unfailing stream of living water, which will drain a wet area, rendering it thereby more fruitful, in order to pour forth the moisture so profitably absorbed, on another area, fertilizing it in such way and in the end filling a river-bed with water that will carry freighted ships and move productive mills. That is what a co-operative society ought to be. The non-State-aided Societies of Germany

and Italy form sturdy co-operators who rely upon their own efforts and direct those efforts to the proper aim, knowing what they are out for and that it is their own efforts and resolution alone which will ensure success. The necessity of such exertion gives them, with the help of the experience gathered, an insight into their business, a knowledge of its details, of the springs that move it and the conditions ensuring success which are to be got by no other means. And so their affairs prosper. State-aided co-operators, as we have seen, relying upon their good fairy godmothers, take things easy, grant unwarranted cash credits instead of inquiring into the object of each loan, as a way of avoiding trouble. It was not without cause that for our Internation Co-operative Congress Report of 1904 I invited the collaboration of a gentleman so fully versed in the matter as Herr Heuzeroth, in the form of a report upon the activities of Central Banks, State-aided and non-State-aided, in Germany. And I invite attention to his facts. His report was too long for insertion in full in the English edition of our Congress Report. But it appears at full length in the German edition. Herr Heuzeroth shows how the formal precepts of State-aided Central Banks are recklessly taken advantage of to pile up "unconscionable" quantities of liability upon a veritable "poor ha'porth" of cash. Liability was by such Banks gladly accepted to any extent—fifty and a hundred times the amount of the cash paid up and even more—simply to qualify for going largely into debt. A more insecure condition of things it is impossible to conceive. And it is fully sufficient to account for such a disaster as overtook German State-aided societies in 1912. After the publication of that instructive paper the Prussian State Bank indeed amended its terms, reducing the latitude allowed for unsecured liability. That was a result to be thankful for. The amendment introduced could not, however, eradicate the evil. And we see the result of such risky business as is still allowed, in part, in the great bank crash of Hesse.

That disastrous cataclysm brings into sight another noxious effect of State aid. When the great Hessian

crash came, the State aiders had not the manliness and backbone in them to stand resolutely in the breach and shoulder the burden which their own recklessness had laid upon them—as the non-State-aiders did with creditable pluck and, as a consequence, as creditable success in the Raiffeisen Union, making good their own heavy deficit. The Hessian Haasists cried out at once pitifully for further State help—a case of *morbu morbom medicari* or *lutum luto purgare*. The spirit for self-redemption seemed gone out of them. State aid gives no backbone. Where is the backbone of the Hungarian protégés of the Magnates? They simply obey the behests of their lordly paymasters. Where is the backbone of the Italian *contadini* aided by their patrons of the *Credito Agrario*? The results of that well-meant institution are admitted to be disappointing—disappointing more in particular in respect of its *missione educatrice*, which is the premier point in the co-operative programme. Compare with that the sturdy self-reliance of the non-State-aider, which will not be discouraged, which works its way up through thick and thin, in order to succeed—recalling the manful struggles of our "Rochdale Pioneers," laughed at at first, but labouring up to a trimuphant success; or the Paris lithographers who twice resolutely shouldered an enormous loss fully entitling them to relief by bankruptcy, but who toiled on, paying off gradually all their heavy encumbrance, in order to conquer honestly. State aid gives no nerve; it plants, so to speak, rootless trees in the ground. There they look pretty for a while. But, like the seed sown upon stony ground, they rapidly wither away, bearing no fruit. Even in Denmark, the country of countries for co-operative spirit, in its application to Agriculture, where it might be taken for granted that co-operative spirit must form an essential feature in national character, the State-aided *Andelskasser*, called into life with the "mother's milk" of State advances, could not survive the withdrawal of those advances after a term of "nursing," but went under in a shoal. A very similar effect has been noticed lately in the Ukraine State-supported "co-operative" credit societies of the Kharkov district, where the provincial branch of the State bank,

apprehending that the co-operative societies, growing greatly in strength, might render themselves materially independent, reduced its credit to them and otherwise hampered them in their business. The result was, in the words of a Circular issued by the Moscow Narodny Bank, "a grave crisis." In spite of all their apparent strength, the societies have no independent life in themselves. They want to be supported from outside. The funds at the disposal of the societies being reduced by about 36,000,000 roubles, at the very season of the year (in July) when the wants of agriculture called for their increase, greatly embarrassed them. And the Moscow Narodny Bank itself has been led into serious danger, the Soviet Government having, after endeavouring to compel it, by withdrawals of Government money and stoppage of new deposits, to suspend payment, "nationalized" it by a decree of last December, placing it under a régime which leaves it its autonomy and ancient rights of management, but places it under Government suzerainty, the nomination of the members of the Board being made dependent upon Government approval. Here is the fatal "ell" developed out of the too readily conceded "inch" of an earlier agreement.

And with regard to Ireland, the Committee of the Irish Agricultural Organization Society writes in its latest Report: "The fundamental fact in the present position of these societies is that, whilst there is little or no progress to report in those of them which, having come to lean on State capital (now withdrawn and practically all repaid) or joint stock bank overdrafts, the more self-reliant societies, which depended on local deposits for their financial support are holding their own. This is perhaps all that can be expected during an agricultural 'boom,' when money is more plentiful than it has ever been."

The comparison may be carried farther still. In Austria it is the credit societies based upon that form of liability which most markedly brings out the sense of responsibility and most effectively nerves to self-reliant effort, that is, unlimited liability, which have best withstood the damaging

effects of the war and come out best in the general setback of things, doing well in spite of the clash of Armageddon.

The explanation of all these phenomena is a simple one. The one thing that State aid does not do is that upon which essentially Co-operation is based, namely the raising up of *Co-operators*. It gives money, it gives countenance, it gives facilities, it gives favours. But all these adventitious aids co-operation could well do without, if only its root were made sound, so as to produce a healthy plant. That root is the co-operative spirit of the man. Co-operation is, not what money, but what Co-operators make it. Accordingly the one aim of those who desire to see Co-operation started and extended, should be to form "Co-operators." *Tant vaut l'homme*, says the Berrichon, *tant vaut la terre*. That means that a good husbandman makes good husbandry, even under adverse conditions. The same principle applies to Co-operation. Produce good co-operators, and you will have successful Co-operation, even among poor surroundings. Indeed it is just poor surroundings, such as are made an excuse for providing State aid, which are found most readily to produce good co-operators, because men there most need Co-operation. The poor weavers of Rochdale, derided for their poverty, and thinking only of relief from distress, have started a co-operative movement which, for soundness of principle, serves as a lasting model to the world. Poor surroundings make good co-operators by impressing upon those buckling to the task the stern fact that, if they want to succeed, they must needs shift for themselves—labour, exert themselves, it may be pinch and deny themselves desirable things, so as by their own struggles to acquire what they are out for. And that which they are out for, so secured, is the only thing of the kind that will last and stand the strain of wear and time. "The man's the man for a' that."

Co-operation is, as observed, an institution intended to create new values. Robbing tax-paying Peter to secure for co-operating Paul an easy subsidy does not make the country richer by a single cent. It may indeed, leave it poorer. For, although Peter has been robbed and Paul

has had the money, Paul has at the same time had his fibre weakened. He has lost value as a producing factor. The crutches lent to him to help him to walk with have paralysed his leg power. Instead of being ready to do things for himself and for the community, he now wants everything done for him. We value what we earn for ourselves ; what comes to us as a gift has no value to us. It is " light come, light go."

There are things, undoubtedly, that the State may legitimately and usefully do for Co-operation—Co-operation such as indeed deserves furthering and stimulating, and may need help. But that will not be by providing money wherewith to assist it in business—which, to be real business, wants to be self-supporting, and in assisting it in which the State cannot fail to come into antagonism with other, competing, interests. Those interests have no right whatever to object to its competition. But they have a right to ask that Co-operation should not be subsidized against them. Mr. Gladstone's argument employed in 1862 in support of the early Industrial and Provident Societies Bill laid down the right principle with absolute clearness. The State is right, so he declared, in exempting co-operative societies from taxation, in allowing them preferential terms in the matter of registration and otherwise, because the service which they render to the community is worth such assistance. But it has no right to subsidise them in their business. Indian Registrars have rightly complained of provincial Governments allowing their societies money at 4 per cent. when the current rate was 9 per cent, because by such means, instead of training members to genuine business—which is the proper task for Co-operation—it directly trains them away from it, by accustoming them to good-fairy gifts. The same complaint has been made in France in respect of the 2 per cent. advances to local credit societies. Co-operative Credit, to be worth anything—in a business aspect, as well as in the even more important educational—must be able to stand upon its own legs.

However all local societies are not in such a happy position as to be able to be content with that. There may be no

Central Bank for them to appeal to, or else that Central Bank may not be sufficiently strong in funds to answer calls. And the provision of funds is not the only assistance required. There is to be no touting for members, no posting the walls with bills inviting all the world to come in. We have unfortunately had such devices tried in England. But of course they have failed. Accordingly other influences must be set to work. And the help of those same influences will still be required to advise and guide the untrained co-operators after they have joined together to work.

Now, for such work, so far as it has to be done, the help of private individuals is distinctly preferable to that of authorities. A private person cannot press or half compel members to come into a society—as Count Mailath proudly boasts that Government officers in Hungary do. But he can do what is worth a great deal more. He can give his personal interest, his counsel—and his vigilant, practised supervision. He is in a position, in giving his assistance, to discriminate, to make terms applying to specific cases. He can see that what he advances is appropriately employed —and recovered. Of course I assume that, in the interest of his intended beneficiaries themselves, he will place his advances upon a purely businesslike footing—not practically tell people. There you are ; there is more where that came from. What a great difference it makes in the fate of a society of men untrained to business, whether they have a well-meaning and judicious " guide, philosopher and friend " to lead them or not, appears very plainly from the parallel fate of two co-operative societies of metal workers, formed about the same time in the last century, severally in England and in Germany. E. Vansittart Neale, kindhearted and openhanded man that he was, gladly spending thousands and thousands in support of that Co-operation which he wholeheartedly believed in, gave a goodly sum of money and left the co-operators to fend for themselves. The society soon came to grief—just like its State-aided sisters of more recent days. The men had the money, but not the requisite *nous*. A less wealthy man in Brunswick gave a smaller sum to a society practising the same craft ; but gave them

guidance and advice as well. And that society has run a successful course. But even in the mere advancing of money the private well-wisher can take better security and provide for more elasticity and discrimination, guarding against misemployment than can an authority. But when temporary money help is given by private persons, I hold a guarantee—where possible—to be distinctly preferable to the provision of money down. For the guarantee after all to some extent brings home to the borrower a sense of *his* responsibility, placing the backer only in second line. In 1894, when framing my Model Rules for Village Societies, I wanted in them to provide for guarantors. However the Chief Registrar of Friendly Societies of the time ruled that to be inadmissible under our law. Well, whether it be in the Rules or not, it is open to any well-wisher to act upon that suggestion and become a guarantor. More particularly in backward, poor and isolated districts is the assistance which private well-wishers can give, in contrast with that given by the State, likely to prove of advantage. Mr. Bolton King some twenty-five years ago suggested the formation of guarantee societies, which is not a bad idea, provided that the guarantors also practise vigilant supervision.

After private persons, there is another class of benefactors to consider, which has shown remarkable eagerness to render assistance, but not in every case, so it is to be feared, from pure altruistic good will. That class is that of corporate bodies such as the Church. My own impression is that Churches of all sorts, without respect for their "Credo," have a distinct interest in facilitating co-operative credit, which, in the words of some German divines of both ruling denominations, "has done more to raise the moral tone among their parishioners than all their preaching and admonishing." Still I cannot think that such assistance and protection falls properly within the province of corporate bodies having mundane interests, which might conceivably come into at any rate apparent conflict with their spiritual duties to those committed to their charge. It is the parish priest who, being specially appointed to look after the welfare of his own parishioners, to whom individually

the task of looking after this matter in his own parish properly falls. In my first edition I ventured to speak of such furthering action as distinctively "vicar's work." The remarkable zeal which in various countries the Roman Catholic clergy—not bad judges, generally speaking, of whatever meets the taste and needs of their parishioners —have thrown into the propaganda of Co-operative Credit has in some quarters raised an unmistakable prejudice and suspicion against such clerical action. And in Italy, so it now appears, there may really be ground for the misgiving on the score that the support obtained from a compliant *rustica gens* may prove destined to be turned to account for political ends. Twenty-five years ago, so I frankly confess, when examining societies so promoted, I found nothing in the working of the "Catholic Banks" of Italy to justify apprehension. The German "Peasants' Unions," pronouncedly "catholic" as the majority of them are, are doing a great deal of good among the peasantry. The Protestant "Peasants' Unions" are above suspicion in matters of politics. And the Belgian *Boerenbond*, most ecclesiastical and denominational organization of all, is among the simple country population, which knows of no other creed than that of its own priests, a tower of strength to that population and a distinct furtherer of good husbandry and popular welfare. In case of general distress, as during the late war, the *Bond* does not limit its sheltering beneficence to its own members or even its own creed, but acts the part of the good Samaritan to all honest folk that it can help. In far India our own missionaries and the missionaries of other nations that work there—Roman Catholic and Lutheran—are doing a great deal for the furtherance of Co-operative Credit as a means of morally and intellectually raising their own particular flocks—consisting mainly of backward aborigines, who are still generally too ignorant for the Registrars to tackle—in a way which appears to me preferable to that pursued by corporate religious bodies in Europe, as distinctly suited to the "cloth." Without them the poor backward aborigines would stand no chance of profiting by that benefit which above all others they stand in need of.

Worse still than that given by Churches is the aid corporately given thus far by Magnates. Happily in this country we stand in no danger of its being misapplied among ourselves, as it unquestionably is in Hungary and in Germany. We have wealthy territorial magnates among us, to whom we are certainly entitled to look for aid towards the encouragement of the cause of the rural population—such as Irish Magnates have given in much more ample volume than has been forthcoming in England, where its flow has never grown beyond a trickle. And we shall be the better able to accept it—if it should come—as there can in the present day be little suspicion of "politics" or self-aggrandisement in it—always presuming that it is given in a thoroughly businesslike manner, as accustoming people to *business*, and not to the receipt of mere benefactions. One man's money is as good for working purposes as another's. The difference lies in the way in which it is provided.

Coming now, in the last place, to assistance by the State, undoubtedly the State may quite legitimately do a great deal for the furtherance and extension of Co-operative Credit, even apart from other services, in the way of providing money. But that, likewise, wants to be done in the right, that is, in a purely businesslike way. I do not deny that in some exceptional cases State aid in money to infant organizations may be not only legitimate but even directly advisable and called for. The presumption indeed should be against such course. The necessity wants to be proved. And where circumstances really call for it, care should in any case be taken, not only strictly to limit it to what is really indispensable, and to give that little in so businesslike a way that it will be realized that it is only a loan, or "leg-up," so to call it—a loan which will certainly have to be repaid at a fixed time, and should therefore be made the most of while it is in the borrowing society's hands; but also to separate its distribution as clearly as possible from ordinary public administration, so as to prevent the introduction of official pressure—which creates only ephemeral show organizations, and can never succeed in generating self-help work—and, on the other hand, of official domineer-

ing and dictation, which destroy all sense of economic responsibility, that is, the very motive force and mainspring of the institution to be created. One such case in which aid of this sort has been judiciously rendered, and has accordingly—at any rate in the main—borne good fruit is that of India. Of the need in India of a "leg-up" to the new institution there could be no doubt. Indian economic conditions do not however exist elsewhere, where State aid has in truth been most lavishly accorded. And it is a monstrous perversion of facts to maintain that by State-aid assistance the service of Credit is really cheapened—which cheapening by itself is indeed only a conditional benefit, limited to its keeping within the terms of the market, so as to place transactions on a business-like footing. The Prussian idea of damming in the working district of a bank, as it were by a dyke, keeping out storms and disturbances, as by an artificial breakwater, has proved an idle phantasy. There will always be found to be some one point or other—as there actually has been in Germany—at which the power of the market forces an entry into the enclosed basin and so upsets the reckoning. During the crisis of 1907—I do not know of course in detail how things have gone during the late war—the Schulze-Delitzsch and Raiffeisen Unions actually granted loans and discounted acceptances at lower rates than did the State-endowed Bank. And the Raiffeisen Union is now more cheaply served, in a plainly business-like way, by the Dresdner Bank than it used to be by the State-endowed Central Bank under like conditions. That plea of "cheapness" is—apart from the question of price, other than in money, that has to be paid for it—mere dust thrown in people's eyes. And cheapness also is not all that is wanted. Besides, once a co-operative credit movement has acquired a fair amount of force and a good business reputation, a well ordered inter-bank organization, concentrating supply of cash and keeping decentralizing channels open all round for distribution, will meet all difficulties as well as anything will. In India State aid—very moderately meted out—was advisedly accorded only for a period presumed to be long enough to permit the

movement to acquire such position of strength. And even what has happened in India under this head conveys a useful warning. For even under the conditions there laid down it cannot be affirmed that all abuse has been kept out. In some places the desired educational effect of Co-operative Credit has been spoilt by overcheap provision of State money. In others there has been "faked" window dressing astutely carried out to provide a qualification for the receipt of State advances. And among those favoured there has been Oliver Twist-like crying out for "more"—which "more" has very properly been refused. However, the mere demand made shows that distinctly *l'appétit vient en mangeant.* All the same, generally speaking, in India the arrangements made have been found to answer well. The narrowly limited assistance offered, subject to proof of its advisableness, and for a brief and rigidly limited period only, has supplied some necessary first funds. Those funds—granted at the outset at little more than 12 per cent. of the total working funds of the institutions assisted—were not roughly withdrawn, practically without notice, as has happened in Ireland. But it was known from the outset that, and when, they would be called in. In this way the proportion of State advances to total working capital was by 1917 brought down to only 1·4 per cent.

Granted that there was to be State-aid, what the Co-operative Credit movement has really to thank the State authorities for is that they have up to the present moment carefully kept out what is usually known as State interference in the matter, leaving the movement as an independent organization, in the hands of officers appointed rather as instructors than as bureaucrats and keeping out officers of the political administration staff.

If Co-operative Credit is to stand and last, it must have a solid bottom to stand upon, formed by the resolution of those who seek to profit by it to make it succeed—not by others, however benevolently inclined they may be. And impatience in the matter is out of place. "More haste" in this matter certainly spells "worse speed." You do not want a countryful of rickety institutions, that have no

strength to stand by themselves, but good solid banks, that will stand a shock and last. The French are right when they say: *assez tôt se fait ce qui bien se fait.*

However, if the State is not to help in business, it has nevertheless a wide field open to it for assisting—even with money, and plenty of it, if it chooses—in preparation for business, in the work of qualifying people to provide credit for themselves, in the "preparation" of the *contadino impreparato.* Co-operation is one of the most educating forces that we possess. But it requires preliminary education preceding it, to help it to form and to flourish. The measure in which Co-operative Credit has stimulated the thirst for Education—Education of *every* kind, from the knowledge of the "Three R's" to the mastery of agricultural chemistry and physiology and all technical lore—not in India alone—is something truly astounding. Lord Reay has spoken of the "wonders" accomplished in this way by the "Agricultural Syndicates" of France. Under its teaching of Co-operation the German *bauer* has become —barring wartime—a different, a superior and more intelligent and cultured being. In India most co-operative credit societies vigorously cry out for Education—some of them, for want of sufficient elementary education provided by the State, make their secretaries give their children such schooling; others maintain their own elementary schools, with the schoolmaster paid by themselves, or else contribute to the cost of what school there is, and keep the master. But that is not really the teaching which co-operative societies are in reason called upon to impart. That is for them rather the *terminus a quo,* which the community ought to provide, than the *terminus ad quem* for themselves to make for. And there is plenty of Education, even of the higher sort, distinctly stimulating to Co-operative Credit, that one might well look for to the State, inasmuch as it is for the common good. Our Agriculture, which we now profess to be earnestly bent upon greatly improving, will not be materially bettered without much more technical education—technical education which will make the merits, and indeed the necessity of Co-operative Credit understood. Our Agri-

culture, so it is now generally agreed, will not be materially improved without Organization; and the soul of Organization, as we have seen both in Germany and France, is Co-operative Credit.

Again, there are obstacles to be cleared out of the way by legislation, for the removal of which only the State has the requisite power. Our laws will just do for Co-operative Credit. But they are not really ideal for it. Our Friendly Societies Act, under which we form part of our societies —all such as require unlimited liability—were designed for a totally different purpose. When my Bill passed triumphantly through the House of Lords in 1910, there was a question raised about mending the law. I suggested that there should be a special law passed for Co-operative Banks generally, whether with limited or with unlimited liability—a law specially adapted to their needs. I was answered that to accomplish this in view of assemblies whose members are given to criticizing and picking holes for picking holes' sake, must prove a herculean task, such as Departments shrink from. But then, what is a "strong" Government, such as we have now, there for? One would not be unreasonable enough to ask that such a matter should be dealt with in war time or in the busy period immediately after. However, when we talk of "Reconstruction" as being much called for—here is a piece of "Reconstruction" as much called for as any other. Therefore: *hic Rhodus; hic salta!* People in this country are unaware of the very large extent to which the presence of a well organized Co-operative Credit has assisted Germany in that financial and economic "Concentration" which we are now proposing to make our own by the "Reconstruction" of our Banking System—a system found admirable indeed, so far as it goes, but one-sided, failing to provide that forcing impetus to trade and production in its myriads of smaller, but collectively most important parts, which the thousands of co-operative banks of Germany, concentrating power and then distributing it in fructifying little rills all over the wide productive surface, effectively stimulate. I have tried to explain this in an article on "English and German

Banking" which appeared in the *Economic Review* of October, 1905. The effect is considerable and has been recognized as such by German bankers assembled in Congress. At their Congress held at Hamburg, they—commercial bankers engaged in large business as they were—distinctly pronounced their benison upon their humbler but no less useful Co-operative brother. That habitual fear of holepickers in the House of Commons should not be allowed to stand in the way of a progressive measure of such moment.

Look at the matter well, and you will find that there is much indeed that the State could do, and also that private well-wishers may do, to promote and extend Co-operative Credit, both in town and in country, without trenching upon improper ground. Business is proverbially "business," and accordingly cannot thrive except upon business-like lines, which means that it must be self-supporting. What is wanted is an apparatus of steel. Prince Bismarck, speaking of one of our statesmen of his day, whom he met at the memorable Peace Congress at Berlin, in 1878, likened him to "wood painted so as to make it look like steel." That is just what Co-operative Credit created by the State comes to be. With all its outward appearance of strength—produced by favours, protection and other people's cash—it remains weak in itself, lacking the wear-resisting and enduring power of the true metal.

Talking of legislation and administrative arrangements, there is one more hope that one may ask to be pardoned for giving expression to. If the State is to withhold its own hand—at Whitehall—one may hope that it will also abstain from committing the charge of the matter to County Councils, a few of which have indeed shown admirable good will in the matter of Co-operation, but not altogether the required skill for promoting the true article—such as, indeed, in bodies so constituted as they are one has scarcely a right to look for. It is not what they were returned for. Whatever help and encouragement be given, the generation of the plant to be raised must be spontaneous, or the plant will be worth nothing. Better let the "birk" of the moun-

tain, or the " oak " of the Weald grow up slowly, battling with storms, facing snow and gales, laboriously projecting its roots through rock and " rag," in which, once its grasp is established, it will stand firm and to be depended upon, yielding as a result weather-hardened timber that will bear strain and wear, than rear up by coddling and artificial forcing a stem of spongy wood without strength, which the first blast will break in two. There can be no other principle for sound Co-operative Banking than Self-help. Therefore we should prepare for that by widespread popular Education.

CHAPTER XVII

Conclusion

After what has been said I think it will have to be admitted that by the creation of co-operative credit a new force, alike economic and educative, of singular potency and efficacy has been placed at the service of humanity. Reckon up the mere volume of money which this co-operative mint has drawn from the capitalist market, and placed at the disposal of small producers—cultivators, traders, and wage-earners—distributing it judiciously at the very points at which there was greatest need for it and at which it promised to prove most productive, dividing it according to the requirements of each case, watching over its employment, and then, after having "given bread to the eater and seed to the sower," gathering it all up again with scarcely any loss and with adequate interest earned! That sum, so we know, must now tell up to many hundreds of millions.

And all this, so I should wish to point out, is *new* business. Barring some very few instances of what I consider abuse, or usurpation, it has not taken away a stiver from any other bank's dealings. Rather has it raised up a large host of recruits for ordinary banks, and given such the means wherewith to become regular bank customers. Ordinary banks, in fact, *could not* have supplied the want that these co-operative banks have met, because they could not have recognized the security which lone members of co-operative banks, as they should be, are in a position to offer, nor stooped down to such humble ministrations as such people require. The co-operative banks have therefore in very truth acted as pioneers for the direct benefit of those other banks.

It may readily be admitted that, under pressure of competition among themselves, our British banks have in some respects grown a good deal more liberal than they used to be. Thus it is in the opening of accounts and the demands made in respect of cash balances. In Ireland, likewise, stimulated by the example of the co-operative credit societies there formed, and rendering undoubtedly useful services, ordinary banks have grown more accommodating in the matter of small credits, after the manner of Scotch cash credit. But on this side of St. George's Channel, in respect of what is under our present aspect mainly wanted—more particularly credit to small folk—banks keep anything but accommodating. Quite the reverse. Their aversion to the granting of overdrafts appears to have become more pronounced. And even in Ireland the new granting of small credits does not anything like fill the gaping void existing.

Co-operative Credit has, moreover, shown itself of universal applicability. It recognizes no frontier, geographical or racial. It has the power of adapting itself to all surroundings. The Mahommedan and Hindoo of India benefit by it, as do the German and Italian, the Finn, the Slav and the Fleming. It conjures treasure out of the soil, it crowns small trade with success. In Germany and Italy it has, by the distribution of money for the thousands of small centres of production, done a great deal to stimulate national industry and commerce and increase national wealth. During the period of war its progress has not slackened, but has, on the contrary, at any rate in some countries, as for instance in Russia, been greatly stimulated.

Seeing what this novel practice of credit can accomplish, it is not surprising that it should have spread out rapidly all over Europe, and beyond Europe—with the exception, sad to say, only of our own laggard island. Elsewhere progress has of late been by leaps and bounds, to such a degree that entire new worlds of co-operative credit seem to have sprung up even since the last edition of this book appeared in print. To the eye of those who have not stopped to analyze the forces at work in it, its development appears little short of miraculous. And thus Jules Simon's words

prefixed to this volume have been made true, and "the greatest banker of the world" has been proved to be he "who disposes of the mite of the poor." And, as well as the greatest and the most beneficent, he has also proved the *safest*—the man to whom rich and poor alike may without fear of loss entrust their deposits, well assured that, since he has no inducement to incur risk, he will incur none.

That, however, is not the result in the creative work accomplished upon which I should wish to lay greatest stress. I should be disposed to set an even higher value upon the diffusiveness of the work done—upon its reaching down to the very humblest and necessitous, whom nothing else would help, and raising him by education and by training to business ways, in addition to providing him with means for turning such ways to account. To the application of such power it appears, moreover, impossible to set any limit. Its raw material abounds wherever there is opportunity for work. Its opportunity for converting that material into money's worth, by the specific expedient of making it men's interest to be businesslike and honest, exists wherever there is need. To my mind there has never been a more prolific source of potential temporal good placed at the disposal of those who are dependent upon labour. For to them co-operative banking means, if they choose to profit by its gifts, not democratization of credit only, but, by the help of democratized credit, *democratization of production* also, the securing to the toiler of the full reward for his labour—and therewith emancipation. Do not let us picture to ourselves this new force as an enemy to existing interests! It will never do away with capitalist enterprise. It will never bring about the establishment of an economic ochlocracy. But it may open a fair field to capacity and industry, and the proverbial "career" to "talent" in the very poorest. It may unbuckle the knapsack of the soldier in the great industrial army, in which, according to a Napoleonic saying, lies concealed the marshal's bâton. To a nation it must mean much more. It means—or at any rate, it may mean—concurrently with democratization, an indefi-

nite *increase* of production, a wholesale mobilization of productive forces, a material diminution of unemployment, fuller satisfaction to the toiler, without additional taxation of any one, diminution of want, a diffusion of prosperity, to a very great extent the disappearance of economic strife, moreover education, elevation, the making the entire community richer, happier, better.

It is quite true that its utility varies—according to the degree of purity in which the principle is applied. Léon Say's words have proved true to the very letter. *Il ne suffit pas d'avoir une bonne machine ; il faut aussi avoir un bon mécanicien.* But do not let us pretend that there are differences of quality as between distinct systems as such.

There are differences of application. Necessarily so. You cannot serve a densely populated district as you would a country parish. You cannot provide for a tradesman trained to business in precisely the same way in which you provide for an untrained rustic. Again, there are differences of the spirit in which the principle is applied. There are those whose aim ends in the pocket, who would, so to speak, take their ticket in co-operation as they take it in a railway train, which runs for many, but in which every one travels for his own profit. There are those, again, who through the pocket wish to reach the heart, who co-operate as do joint-settlers in a new colony, in which each has his own gift to bring to the common stock for his own, but at the same time also for the common, good.

However, the systems, so far as they differ, are still, as Léon Say has laid it down, " of one family." There are two of them, and essentially only two, the one based upon shares, and the other upon unlimited liability. But in both the underlying principle is the same. And it is idle to pretend that the one system is good and the other bad. Both systems mean the substitution of effort, close attention, rigorous conditions, for capital, which has the power of purchasing its own credit.

The application of the one or the other should be determined by circumstances. And do not let us suppose that here is a " socialist " or else a " patronized " scheme, which

by force or else by begging would take money out of other people's pockets. In the precise degree in which it does that it ceases to be what it was intended for. The more fully it recognizes ordinary business principles, the more truly is it co-operative. One system differs from the other as does a motor-omnibus from a country buggy cart. The one requires proportionately less labour, but larger capital to begin with, and greater study of the further increase of capital. Its strokes are bolder, but it presupposes greater familiarity with business. The educational, morally elevating efficacy which constitutes the beauty of the Raiffeisen system, is quite peculiar to that scheme. It deals with much smaller values ; but it can dive down into the lowest depths of poverty. It has to pay for this by a limitation of its operations, by the foregoing of large transactions, by personal application and devotion to its educating work. Economically, however, the moving power is in both cases identical. Both systems mean thrift, both alike mean gradual training to business, making better men of those upon whom they act. Real differences, affecting the quality of the work, come upon the scene only where principle ceases to be applied in its purity, where by-ends are allowed to assert themselves and to become main ends, where the elements which make up the creative force employed are adulterated. There are unfortunately not a few tares already in the field, giving it a rich and luscious appearance, but meaning, at the time of harvest, grainless sheaves or else poisoned bread. The forces which assure to them their sway are indolence and impatience. Indolence is perfectly willing to give money ; but it grudges the personal effort, the application, the " abstinence," in the economic sense, which self-help infallibly calls for. Impatience adulterates the seed in order to produce an earlier crop of deceptive vegetation which looks like wheat but is only weeds. Common sense requires that such examples should be rejected. We want a plant that will stand " the loud blast that rends the skies," not a vegetable drawing-room ornament which will embellish an ambitious man's title to premature recognition, but will not endure a frost or a gale. Co-operative credit means,

as has been shown, not the distribution of largess, but the creation of a new marketable security. Such security is based upon the sense of responsibility of the individual. Charity cannot supply it; State-help cannot supply it. Friendly assistance in the earlier stages there may be—in very many cases there will have to be. But its degeneration into gifts, which breed a habit of trust, not in oneself, but in others, should be strictly guarded against.

The question now suggests itself: Has this marvellous, wealth-producing power no gift for ourselves? Do we not want it? We are thus far the only civilized nation that has done without. Is that because there is with us no need, there are no opportunities to be improved, there is no labour that lies idle for want of capital to employ it?

Alas, we have more than enough of all these. And our need is growing as population increases, as capital becomes more and more lumpy, and employment more difficult to procure. The war, with its myriads of arms reduced to comparative idleness, its thousands of returned warriors to be turned loose upon the land, there to labour for themselves and for the community, has greatly increased that need. And, in addition, we have direct indications, not only that such help as co-operative banking supplies would bring relief, but also that it is distinctly felt that it would do so. What else do those borrowing powers mean which our Friendly Societies so largely claim and employ for advancing money to their members? And our Slate Clubs and Funding Clubs, Loan Societies, and the rest of them? They all indicate an instinctive groping after co-operative credit. And whenever an opportunity offers for satisfying popular credit in a tolerably reasonable way our poor people and humbler middle classes appear to jump at it. So it has been in the case of small credits opened by ordinary banks, more particularly in Scotland and the north of Ireland (also by one well-known bank in Cornwall).

In further evidence of the presence of a need of popularized credit I would quote the instance of a "Bank" formed not many years back, which is not at all co-operative, although it professes to be doing business self-devotingly only in the

interest of its humble customers, who come to it for small credit. It deals such out generously—at the rate of 10 per cent. or thereabouts. Its counters are said to be besieged by applicants, and it appears to be extending its business facilities every year. Whatever be the merits of the bank, here is a declared need of popularized credit proclaimed! Certainly it may be assumed that if those same people had a co-operative bank open to them, which would give them their loans at 5 per cent. or less, and as a matter of right, not favour, they would rather come to it. And so would many others.

Some thousands of our civil servants have advanced further on the road to self-helping co-operative credit in their "Share Purchase and Investment Society," of the dealings of which the figures on record give an encouraging account.

And there is our Agriculture! We are exerting ourselves to create a small peasantry. Agriculture, whether large or small, to be successful, nowadays absolutely requires abundant working capital. And we give our people the bare land, which is, without money, a white elephant!

On the top of all this, recent Bank amalgamations have revealed the presence of an entire host of unsatisfied seekers after credit—farmers, tradesmen, builders, manufacturers, some of them very substantial—men that used to borrow from their local bankers, who gave them credit readily, knowing them personally and being able to watch them, while also carrying on a class of business into which such granting of credit well fitted in. The local banker is practically gone. His species is now represented by about thirty, where not long ago there were 218. The joint-stock banks have crowded him out, maintaining among them, some eighty in number, thousands of branches. The boards of the companies are not in a position to estimate the security offered, they have no personal knowledge of the applicants, they cannot adapt their rates of interest to the precise degree of security tendered, and, in the last place, this class of business no longer suits their purpose. The people so deprived of their accustomed credit complain, curse their stars, and write letters to the newspapers. They

have their remedy ready to hand. Let them form their own co-operative banks, as men in precisely the same position have done in Milan, Bologna, Augsburg, Leipzig, Mentone, and they will become possessed of a right to credit, which no one but themselves can take away again.

But it is not only credit that is wanted. Some people have fondly flattered themselves that one of the objects of our Savings Banks, Government-ridden as they are to excess, is to train poor people to "banking." However, a circular issued by the Postmaster-General says :—

"The Postmaster-General desires to call attention to the fact that the cost of administering the Post Office Savings Bank has been much increased of late years by the tendency on the part of some depositors to use the institution for the purpose of a current account instead of for the purposes of simple saving, which it was established to promote. Every transaction, great or small, has necessarily to be reported to London for record in the ledgers at the central office. This renders the business very costly when depositors make frequent deposits and withdrawals, especially when the individual sums are of small amount or when money is merely deposited to be withdrawn again in a short time."

The Postmaster-General appeals to the public to remedy this. And after the many rods in pickle which the Treasury has only with difficulty been dissuaded from applying to its patient milch-cow, the Savings Banks—to the depositors' loss—there can be little doubt that if that appeal is not responded to measures will be taken to put a stop to such incipient banking. However, such banking is required. And it is highly useful. It constitutes a schooling for business.

The co-operative bank is, in the words of M. Luzzatti —the founder of both the Post Office Savings Bank and the People's Banks of his country—a "perfected savings bank." It not only takes charge, with perfect safety assured, of people's savings, but it also employs them within their sight, where they can trace the benefit produced, in their own locality, by men of their own choice, thereby training them to a knowledge of banking business—instead

of sending up the local money to the metropolitan market, "to appreciate Consols," as the author of our Savings Banks Measures, W. E. Gladstone, has described their function under his own legislation. Therefore co-operative banks do better in this matter than Savings Banks. So unchallengeable a judge of banking as the late Lord Avebury pointed this out thirty-two years ago.[1] In respect of no point of their manifold programme, in fact, have co-operative banks a better record to show than on that of collecting deposits, and more particularly savings.

"Banking business," so Lord Avebury stated in the House of Commons in 1887, when he was still Sir John Lubbock, "consists of different parts. One is to collect funds. In Germany no fewer than 900 workmen's banks[2] have been established, and hold large sums of money. They have proved a great convenience and extremely useful to the community." They accordingly—that is the argument—answer the purposes of savings banks incomparably better than do our Post Office Savings Bank and the State-supervised Trustee Banks, because they obtain a firmer hold upon the depositing public and, having more remunerative employment, can as a rule offer a higher rate of interest. The Savings Bank after all is only a slot in the wall, with a sure grasp, but no tongue to advise with. Having no fructifying use for the money that comes to it from productive employment, it closes over it like a grave, and effectively sterilizes it. In words which I quote from a statement made by Mr. Asquith—on a very cognate point—"it means that the Government is competing for and locking up funds that might otherwise be available for commercial and industrial purposes." "The result of these banks (our Post Office Savings Bank and the Trustee Banks) is to drain enormous sums from different localities in the country, and bring them up to London, to be invested in Government securities," so Lord Avebury went on. Then will not the people so deprived of the only cash-keeper that they can at present

[1] See Hansard's *Debates*, vol. 319, p. 822.

[2] The number was larger even then. But they were not purely "working-men's banks."

go to for their business, provide themselves with an easy substitute ?

No one can have seen those foreign People's Banks at work without admiring what both Léon Say and Eugène Rostand have particularly noticed to their credit, namely, their wonderful power of interesting people in thrift and attracting them as depositors. " Ordinary savings banks," so observed Sir E. Brabrook, at that time Chief Registrar of Friendly Societies, in 1897, " he could look upon merely as infantile efforts in thrift." He " regarded a person who deposited his money in a savings bank, so that it should be kept safe for him by some one else, as very much less worthy of encouragement than a person who used his savings in some way in co-operation with other people for his own benefit and for the benefit of others. He did, therefore, not look upon the progress of savings banks with unalloyed satisfaction, but only as one step on the way of self-help."[1] Savings banks should lead up to People's Banks, as the Swiss and Hungarian " cycles " and " series " have done. And the time may well be argued to have come for us to initiate the new departure, so far as our depositors are now prepared for it.

I do not think that this point need be any further pressed. There can be no doubt that we want some institution such as co-operative banks. The want of it is indeed written large upon all our economy.

" There is a great blank or want of intermediate banks between the large joint stock banks and the savings banks. We have no banks to correspond with the people's banks of Germany, or the moderate-sized national banks of the United States. There is a large, industrious, and respectable class of small-farmers, tradesmen, shopkeepers, and others who are left out in the cold. There should be popular banks and banking facilities provided for the numerous class of small customers who require a bank to deposit their savings in, and at the same time to turn their little money to the best account ; also, on the other hand, to accommodate those who may want to borrow small sums occasionally for stocking their farms or their shops."

[1] *Journal of the Royal Statistical Society*, vol. 60, Part 2. (June, 1897.)

So wrote *Chambers' Journal* as long ago as in 1883. Since that time a new want has come upon the scene in the shape of the requirements of Agriculture. We have laid ourselves out for a Small Holdings Policy, the principle of which the Nation appears to have made its own with hearty and sincere acceptance. We are going to repeople the deserted countryside with thousands of new settlers. But how are these people to prosper, how to provide the Nation with that mass of expected food, without the possession of that money upon the plentiful supply of which in the present day all business depends? Give the new settlers the money you cannot. Too much is needed. And, moreover, "give" means "waste"—light come, light go. If the money is to do good, it will have to be earned.

Fortunately, as it appears, our habits and leanings are not by any means averse from the practice of earning money for ourselves embodied in the action of Co-operative Credit. Quite the reverse. Our disposition and instincts seem altogether in its favour. Apart from the not very successful groping after Co-operative Credit revealed in our Slate Clubs, Loan Societies and similar institutions already mentioned, there are a few instances to show, as I think with decisive clearness, that our national temperament is not ill attuned to what is recommended.

Here are a few examples:

The plucky little "People's Bank" of Edinburgh was formed in 1888 as a genuine working men's society, without any idea of copying anything that had been done abroad, with only a handful of members subscribing their £1 shares, and no other rules except the ordinary rules of an Industrial and Provident Society. Under competent leadership those rules have fully sufficed. The "People's Bank," being still rather poorly equipped in the matter of capital, has found it advisable in prudence to confine itself to one kind of advances only, on real property. It advances money for the purchase of dwellings, more particularly of those "flats," peculiar to the capital of Scotland, which lie on different floors, right and left of the "common stair." On such advances the bank has made as good as no loss. This bank

has proved a veritable boon to Edinburgh working folk. Under its teaching one very essential point incidental to co-operative banking has been made abundantly clear, and that is, that for an enterprise of the kind, properly launched and managed, no "good fairy godmother" of any sort is required to provide the means; that, on the contrary, ample money is to be got out of the pockets of the very class for which such institution acts, by means of deposits. Beginning in the smallest of ways, in a little back room, the "People's Bank" has nevertheless been able throughout to raise its own money. Once it could afford to take offices which made its existence known to the public, its progress proved very rapid. At midsummer, 1918, its "savings accounts" amounted to £37,084 5*s.* 8*d.*, in addition to which there were £7,559 6*s.* 4*d.* deposit receipts. These are substantial figures notwithstanding a falling off during the war; and yet the "People's Bank" pays only the same rate of interest as the Post Office Savings Bank, namely, 2½ per cent., and all this with a share capital amounting to only £7,930 18*s.*, £6,909 being paid up, and a reserve fund standing at the present time at £2,800. During the preceding twelvemonth £77,936 had been lodged in deposits, and £73,478 withdrawn. The advances made on heritable property stood at £27,482 9*s.* In addition to such advances the bank has lately very properly begun opening cash credits to members. At midsummer, 1909, the amount outstanding in such was £199 1*s.* 7*d.* That was little, but it was a beginning. So plentiful is money in this unsubsidized, unpatronized and unfinanced, but deposit-attracting bank, that £14,517 10*s.* 7*d.* has had to be invested otherwise than in loans, mainly in debentures. One could wish that we had a few banks animated by the same spirit of self-help and self-reliance south of the Tweed. The bank makes its advances as a rule in the shape of loans on real security repayable by annual payments, the amount of which, of course, varies according to the length of the term for which it is granted, which extends from twelve to twenty-one years. Nothing is granted beyond twenty-one years. The bank has taken power to pay up to 10 per

cent. dividend on shares, but has as a fact never paid more than 5 per cent., and at present its habitual payment is 4 per cent. The war has of course made its influence felt upon the little bank. In earlier years alike share capital, reserve, deposits and business, having grown with remarkable steadiness, were larger. That, however, will soon right itself. Furthermore, in England we have the growing depositing and banking business in the Co-operative Movement to show the presence of the same qualification as well as desire which have suggested credit banks. And among Civil Servants there is, as observed, the successful and useful "Civil Servants' Share Purchase and Investment Society" to emphasize the same fact.

In Ireland, overriding the antiquated and out-of-date "Loan Fund Societies," Co-operative Credit has been readily taken up, mastered and carried successfully forward among the farming class. About this there will be a word or two more to say presently.

With such capacity as well as desire proclaimed, it ought not to prove beyond human power to graft the foreign practice upon our native stock.

We actually made a beginning in 1892, which at the time seemed full of promise. I think I may claim credit for having set the ball rolling by an article which appeared in the *Economic Review* in 1892. Shortly after the late R. A. Yerburgh caused the substance of a powerful speech made by M. Méline to be inserted in the *Morning Post*. In November, 1893, on the invitation of Mr. Harold Moore, a land agent, who has all along shown a warm interest in the matter, and Mr. Kenworthy, an active Socialist, we formed the "Agricultural Banks Association," which began, as we thought, under favourable auspices. Capital men joined. A programme of work was framed. An appeal to the public was issued and all things seemed promising.

However, only too soon a rift in the lute became visible, arising of course from a want of understanding of the principle. Acting on orthodox lines, approved by experience, I myself —as well as others who acted with me—was out for providing Credit by creating *Security*. Sir Horace Plunkett was

among the first to seize, as the pith of the whole matter, the principle which I had endeavoured to set forth in "Agricultural Banks: Their Object and Their Work," that what was wanted was to make the latent security inherent in our agricultural economy effective and thereby marketable. And he acted upon that in Ireland. The chairman of our Agricultural Banks Association—whose influence was rather overpowering, especially since his private secretary who took matters into his own hand rather freely, acted also as our Association Secretary—was for seeking *Money*, and making things easy for the borrower, and inconvenient for the depositor, by insistence upon very long notice for withdrawals. There were to be *banks*. And if there were to be banks, there must, in his opinion, be money provided in advance, and there must also be plenty of members. Organizers were accordingly exhorted to tout for such by means of leaflets and meetings and promises, like the emissaries of the king in the parable, going out into the highways and among the hedges and "compelling them to come in"—unselected, unexamined, higgledy piggledy, the more the merrier. To make matters worse, our Secretary took upon himself to open a fierce crusade upon moneylenders—who indeed deserved such philippics, as his revelations have shown, but not from us. If there was "death in the pot," our business clearly was, like Elisha, to remedy the mischief by putting good "meal" into it to neutralize the poison. As a result of these aberrations the Association soon split up—other good men, like the late Lord Hampden, his brother Arthur Brand, Lord Channing and Mr. Bolton King, going out, like myself. The Association lived on in a dead-and-alive way, *operose nihil agens*, changing its name from time to time, soon becoming merged in the Agricultural Organization Society, and so in due course being swallowed up in 1913 by the Board of Agriculture which bodily took the Agricultural Organization Society over, making itself responsible for its income and nominating all its Committeemen, who, in true Byzantine style, now became promoted, like "Prussian Excellencies" to the rank or at any rate title of "Governors." The last authoritative statement of its

achievements that I have seen claims for it some forty odd little societies not all of its own forming—by the side of about a quarter of a thousand existing in Ireland, where a beginning was made about the same time, and of twenty-five thousand in India, where work was begun full ten years later—forty odd societies—some of them recruited in by promises of substantial advances from a "Central Bank," doing little business and above all things attracting scarcely any deposits—which advances never came. There is one bank which has such. It is fortunate in possessing an excellent chairman whose goodness for the time neutralizes the defects in the Association's Rules. But even that, however satisfactory a feature in itself, rather suggests the danger of one-man rule. That little bank makes a good enough show of deposits. But they belong practically all to two people, a member and his daughter, and are liable to withdrawal at short notice—which would leave the society high and dry. The promise made as a bait to the Societies persuaded to come in of the formation of a Central Bank has been kept. The Central Bank was actually created in all form, with a retired Indian banker as managing director. However, the desired funds would not come—as how should they when the promises of security were as small as they were? Accordingly the promised advances likewise failed to put in an appearance. And the little banks, first acclaimed with joy, such as that at Newport in Monmouthshire and Finsbury Park, wound up—as did also the Central Bank after a brief life. And so the promising Midsummer Night's Dream came to an end.

In England things have remained very much *in statu quo*. In Scotland nothing has been done. But still the movement has not remained altogether at a standstill.

In 1894 I was invited by my friend Mr. (now Lord) Channing, at that time Chairman of the Central Chamber of Argiculture, to read a paper upon Co-operative Banks before that Chamber. The paper was very kindly received, circulated in print, and a Committee was appointed to inquire into the question. There can be no question, of course, of the merits and ability of the Central Chamber

of Agriculture. However, in this particular instance I cannot think that it has shown quite the circumspection and sense of its responsibility to the great agricultural public that one might in an optimistic mood have looked for. The inquiring Committee was, as it turned out, composed of gentlemen manifestly not at all familiar with the subject which they were to consider—as their insistence upon the "sufficiency" of credit by overdrafts in the country and a curious explanation of Bill-of-Exchange law and practice prove. Messrs. Byles and Chalmers, the accepted text writers on the subject, would have been rather surprised to read the following: "The main difference between ordinary mercantile credit and agricultural credit is," so, upon his own evidence, Mr. Leroy Lewis' Committee have reported, "that, while the former is given against specific securities, the latter, when given at all (which is said to be in 'sufficient' quantity), is purely personal." Apart from that, the Committee—the chairman of which was once an American—would not hear of anything "foreign."[1] "Let Mr. Channing, Mr. Jeffreys or Mr. Yerburgh devise something 'English,' and they would look at it." That is true patriotism. Let the other nations have the good things!

While this Report—which, according to Mr. Leroy Lewis' written testimony, the Central Chamber endorsed unanimously—was preparing, I was by invitation of Sir Horace Plunkett in Dublin, explaining the Co-operative Bank scheme to the Committee of the then newly formed Irish Agricultural Organization Society—the searching heckling of me by which, prompted manifestly by keen interest and regard for farmers, stood in marked contrast with the very superficial questioning through which I had been trotted, not to say galloped, by the easy-going Central Chamber of Agriculture Committee. To the Irish farmer the message of coming easy Credit was "glad tidings" indeed and, as has been already related, they made the idea their own and made it to fructify.

Evidently Celts are quicker to get an idea into their heads than our more slow-going Saxons. We have noticed

[1] See Mr. Leroy Lewis' letter in the *Agricultural Economist* of September, 1895.

the same thing in Wales in respect of Agricultural Co-operation. Also, their need may have been more pronounced or, at any rate, there were more of one particular kind of intended beneficiaries ready to hand—that is, small farmers. Irishmen certainly went the right way to work and might in that respect serve us English as an example. The first Irish bank was started in quite a humble way in Doneraile in 1895. It soon attracted attention by its good results. "Your bank"—so wrote the public auditor, Mr. Thomas Scott, after his first inspection—"has made its way among the people without solicitation or advertisement. It can now be taken as an example over the country. It illustrates clearly the unspeakable benefit which may be conferred on the honest poor by co-operative banks. Without them co-operation is to hundreds of thousands of the people an impossible thing. It is therefore not extravagant to say that the modest and unpretentious co-operative village bank ought to be regarded as the mainspring of the whole movement."

Slowly, as in Italy in the corresponding stage of development—advisedly slowly, because it was desired that progress should be sure rather than expeditious—the number of banks has gone on increasing, until at the present time it stands at about 280. The banks have worked their way onward in virtue of the useful services which they have rendered, which, simple as they are, were so obvious to every one that only little preaching or propaganda was needed. *Vino vendibili hedera non opus est.* Their tale throughout is one of timely help given, small in amount but richly fructifying to those who received it: a pig bought, or a cow, or produce held over, or implements and the like purchased.

A goodly number of telling concrete cases of their good work has been told from time to time in the *Irish Homestead*. Co-operative Credit Societies have certainly conquered for themselves an honoured place among the useful institutions established in Ireland, upon which King Edward on his last visit to that country bestowed high and merited praise. If for the moment their splendour is a little obscured by the

more vigorous agitation in progress for the formation of distributive stores, to free the small farmer from the oppressive yoke of the grasping gombeen man—whom the Department appears to favour—that is, of course, to be accounted for, in the first place by the fact that the need of stores has become acutely urgent, and that its urgency has at last been realized by the farming community; and, in the second, by the circumstance that up to a certain point the banks formed, as is proper among impecunious people, upon the Raiffeisen principle—without shares and with unlimited liability—have done their work, placing the whilom struggling farmer on firmer ground, where his immediate want of cash is not as pressing as it was. He for the moment needs stores more than banks and cannot well fight two great battles at the same time. The temporary obscuring of the banks movement by no means signifies that credit societies are done with. Their utility has been too well ascertained and recognized for that. Only it seems likely that, being now in a more prosperous position, Irish farmers will be able to form some of their new banks on the share and limited liability system.

If, as there can be no reasonable doubt, they succeed in this, they will thereby be rendering a decidedly useful service to the moderately endowed credit-seekers in England, a country in which, although Raiffeisen societies will certainly be desirable—if it were only on the ground of their morally educating work—I should say that limited liability action, with paid up shares, are likely to prove greater favourites. It is only want of knowledge which has thus far in England given out Raiffeisen Credit as the *only* Credit adapted for "agricultural"—or, as should have been said, "rural"—Credit.

Apart from Ireland not much was done for a time.

By invitation of the Co-operative Union I read a paper upon my subject before the Peterborough Congress in 1898. However, to "well-paid artisans" who, in the words of their own late General Secretary, J. C. Gray, compose the Union, the promise of Credit had no powerful attraction.

In the midst of the dragging and faltering progress—or

absence of progress—referred to, I was asked by Sir John Brunner—who had from the outset taken a warm interest in the matter and had my Village Bank Rules translated into Welsh for the benefit of Welsh small holders—whether anything could not be done in Parliament to push things forward. Since our laws, although in a sense sufficient, are not altogether perfect for our purpose, I answered that they might be amended. In consequence Sir John begged me to give instructions for the drafting of an appropriate Bill.

It so happened that at that very time a very awkward hindrance to banking progress had cropped up in Ireland, where members are generally poor and where, just as in England, the course of true Co-operative Banking would not run smooth. Irish farmers were co-operating to the best of their power. However, the number in every one of their banks was small and their financial resources were rather narrowly limited. With small business in small societies it was difficult to provide the necessary funds for audit and inspection—which of course it is a co-operative principle that every bank should pay for itself. Also there was this evil weighing heavily upon Irish rural economy. If the Indian rayat is peon to the pitiless mahajan, so is the Irish peasant to the no less grinding gombeen man, a European species of the same predatory family—the gombeen man is grocer, general dealer and banker to the small man who, being powerless against his tyrant, has to buy, sell, transact business, do everything through the gombeener, who "thereout sucks no mean advantage." The cottier is in chains and cannot get out. Now the approved sovereign remedy against dealers' fraud and exactions, so it is well known, is Co-operation. So our British working-men classes, buying at their stores, have found. Then why not try the same method in Ireland? It would make the farmer a free man and yield him a certain surplus for his bank. The required apparatus is all ready. Stores have been organized for a country population ere now. The Lincoln Co-operative Society, among others, has a splendid record of such rural business. There is the Wholesale Society ready made, to deal out the goods. The accepted reckoning is

that on purchases made at co-operative stores, if such are well conducted, on an average 10 per cent. surplus is netted Then, supposing that a farmer's wife purchases at her store to the value of only ten shillings a week, there will at the end of the year be fifty-two shillings overplus, which would more than pay for inspection, and put a nice little saving into the woman's pocket.

Unfortunately the law under which we have to register credit societies like the Irish, with unlimited liability, does not permit dealing in goods ; and the law which permits it is not applicable to our unlimited liability system of banking. Moreover, it is for general purposes an accepted maxim in Co-operative Organization—a maxim which I myself have been exceedingly careful to impress upon people who pay me the compliment of asking my advice,—that you should not in societies of any size combine trading and credit. These two things want, as a general rule, to be kept strictly separate. However, there is proverbially no rule without its exceptions. And in the case here presented we have the very conclusive evidence of the thousands of excellent Raiffeisen societies, all with unlimited liability, to show that in small village banks, where membership is circumscribed and business equally limited, combination may well take place with impunity.

Then, plainly, what was wanted in the interest of the Irish peasant was to enlarge the powers given under the Friendly Societies Act so as to permit trading.

However, there proved to be a hindrance in the way. The Agricultural Department in Ireland is, according to the terms of its constitution, a Department of " Agriculture and Technical Instruction." However, as matters stand at present, Gombeen interest is strong and evidently wants to be reckoned with. When my evidence was taken some time ago before the Departmental Committee appointed by the present chief of the Department, Sir T. W. Russell, to inquire into the subject of Credit for farmers, more than once was I pulled up with the observation : But would not that interfere with *Trade* ? I had in my innocence been thinking of *farmers* ; but there seemed to be a gombeen ghost hid

somewhere in the room every now and then making its influence felt.

At Westminster, in the House of Lords, there was no gombeener. But there was a redoubtable Apollyon barring the way to Co-operative Credit in the person of a then youthful nobleman, whom the Asquith Cabinet—despite an earlier declaration from the Premier himself that the value of Co-operative Credit was so well established that no further inquiry into it appeared called for—appeared to have accepted as their expert on finance. That young nobleman was Lord Denman, who acted by me as Bismarck did—fruitlessly in the end—by Schulze and the Socialist Boldrini by M. Luzzatti.

I instructed our draftsman to prepare the Bill, so as to make it confer, among other things, the power to deal in goods upon village banks. Of that Bill I sent in a copy, as printed by order of the House of Lords, after the First Reading, to the Board of Agriculture early in February. Nevertheless, on May 25, when it came up for Second Reading, Lord Carrington—as he then was—being President of the Board of Agriculture, petulantly complained that he had never before heard of it. That does not speak overwell for the management of business at that time at the Board of Agriculture. However, his Lordship was pacified and assented to the principle, to which the Treasury likewise—in my hearing—gave its consent. And so the Bill passed in Second Reading. Nevertheless, on June 10, when it came up again for consideration in Committee, the Government, through its spokesman, Lord Denman—then a Junior Lord of the Treasury—launched a fierce veto against the measure on grounds of principle. Lord Denman pronounced it to be charged with the gravest danger—as witness the City of Glasgow Bank with its millions of liabilities when overtaken by its disastrous crash !—and declared with Rouherlike emphasis that *never* would the Treasury consent to the authorization of unlimited liability—which as a matter of fact it had authorized in all form full fourteen years before, when on the recommendation of Sir E. Brabrook, at that time Chief Registrar of Friendly Societies, and *pace* Lord

Denman, surely a safe guide in such matters, it had consented to the registration of these societies as "Specially Authorized Societies" under the Friendly Societies Act. Since Lord Denman's own chief at the time, Sir George Murray, then Permanent Secretary of the Treasury, has, in an interview kindly conceded to me, judged these little societies, with their unlimited liability, to be harmless, and so unchallengeable a judge of such things as the late Lord Welby, after very minute inquiry, has spoken his benison upon Raiffeisen banks, and promised me that in my further championship of them he would give me all support in his power, I think that I may accept Lord Denman's censure with something like equanimity. Our friends were in a majority in the House, and might easily have inflicted a defeat upon the Government, to whom the late Lord St. Aldwyn pointed out the great irregularity of their conduct in raising Second Reading objections in a Committee sitting. However, Lord Crewe, as Leader of the House, suggested "a Conference" —which proposal we confidingly accepted— only to find that the promised "Conference" was never called.

So ended Attempt Number One.

However, there is nothing like pegging away. Accordingly in 1910 we brought in, once more in the House of Lords, practically the same Bill, only very slightly, and that only formally, altered, Lord Shaftesbury acting as mover and Lord Macdonnell as seconder. That Bill met with a very different fate—in striking contrast with a Government Bill dealing likewise with Co-operative Credit of a spurious sort, which was simply laughed out of the House of Commons. A most competent Select Committee was appointed to examine the measure, having Lord Mersey for its chairman and the late Lords Cromer, Welby and Northcote, as well as Lords Macdonnell and Shaftesbury, among its members. That Select Committee, threshing out the question thoroughly, grew perfectly enthusiastic over the measure and ended by unanimously recommending its adoption, which recommendation was readily acted upon by the House *nem. con.*

The Board of Agriculture now appeared converted. Sir Thomas Elliott, who was then its Permanent Secretary,

showed a warm interest in the matter and evidently desired to secure the promised benefit for our rural population. On his chief, Lord Carrington's instruction he invited me to prepare a Memorandum advising what practical steps might be taken—just as I had, with good results, advised the Government of India—for consideration by the Board. That Memorandum was duly prepared and promptly handed in. Lord Carrington caused it to be acknowledged and promised me to consult with me upon it "on his return from Scotland, in October." October, 1910, is long past. But I have not yet been summoned to the "Consultation."

And there we stand! Acknowledged need on one side —need becoming more urgent from day to day, as Bank Credit becomes more scarce and more people prepare to settle on the land for the purpose of tilling it—including thousands of soldiers, whom we wish to place in a position to earn their living—while withholding the chief means for their doing so. On the other side there is little more than a stone to give in the place of the needed bread!

Now, is this going to be allowed to continue? Are we to have need, crying out for money waxing louder and louder —as is sure to be the case, at any rate in the country, with fresh additions to the number of claimants for settlement— and no money forthcoming? We cannot deny the presence of the need. It stares us in the face at all points. And that not only in respect of small farming, or farming altogether— although in that it gloats upon us like a second Banquo's ghost. Sure enough, we have framed a Small Holdings policy. We profess to be keen upon filling the deserted countryside with flourishing peasant holdings, which are at the same time to produce food, or money's worth, and to relieve want. We talk of planting discharged soldiers upon the land to till it and make it yield its increase. But how are they to do this without money? However, it is not only the small holder and the new settler who require cash. The great motive power in our intensified Agriculture of the present day, whether large or small, is money. And the fuller the purse at the start, the fuller does the barn or the cashbox promise to be. Our large farmers stand in no less need

of working capital. And they do not know where to get it. It boots not to urge, as bankers did when our Board of Agriculture made its useless inquiry about their dealing with co-operative banks, that they have never had so many farmers "on their books." That indeed just shows, as the reverse of what is assumed, that even our substantial farmers now feel the pinch, as more intensive culture is required from them. For it is only such who receive credit. And that is only credit by favour, once in a way—wholly unlike the credit freely taken, as often as opportunity for business offering calls for it, upon which our traders and merchants thrive. It is not only emergency credit that our farmers want.

In the United States bankers have farmers upon their business staff, to conduct dealings with farmer customers, and the business so carried on goes on swimmingly. That is really only a repetition, as has been pointed out, of what the Bank of France has done long ago. And now the Canadian bankers who have as keen a nose for business as their Yankee brothers, are successfully taking up the same practice. If we are too proud to learn from our German enemies, are we equally too proud to learn from our Transatlantic cousins and friends?

However, I would not draw the line at Agriculture. There is plenty of need outside that, though it be not yet as vocal. Do not let us forget our small trade which is by no means extinct, nor yet moribund. And, as hours of wage labour are shortened, and families with human wants are being settled on the land—which is not likely to provide employment for all of them all the year round—do not let us close our eyes to the opportunities—golden opportunities they may become to these people—open for earning an additional shilling or two by these small industries. We have organizations busy to promote them—in Ireland the highly deserving United Irishwomen, in England the Rural Industries League. Such industries indeed want to be "organized"—co-operatively organized. But they also require to be fed with cash.

We cannot, assuredly, plead that conditions are less

favourable to the organization of Co-operative Credit in this country than elsewhere. I distinctly consider them to be, if anything, more so.

In the first place our laws generally are not contrariant to Co-operative Credit. For limited liability societies we have the Industrial and Provident Societies Act, which is sufficient. And for unlimited liability societies we have the Friendly Societies Act, which will just do. It was, by the way, the Chief Registrar of Friendly Societies of the day, Sir E. Brabrook, who advised me to register under that Act, making the societies "Specially Authorized Societies," to which the Treasury gave its required consent. However, the Friendly Societies Act did not allow us to accept more than a fraction of the amount of money of our own in the shape of deposits, whereas we of course wanted a good deal more. Sir Horace Plunkett provided a remedy to this in 1898 by his Societies Borrowing Powers Act. That does not yet give us all that we should like to have—in truth we want a special Act, if we could only get it. But it has sufficiently planed the way for our business.

Next, generally speaking, money is among us more abundant, and therefore cheaper, than elsewhere.

Furthermore, most of our population are ready broken in to the knowledge and practice of Co-operation and certainly to business habits. They are also, I think, better used to keeping faith. At any rate such of our business organizations, like Insurance Companies as do business with the Continent, have discerned a noticeable difference in this respect between our people and, say, the Germans, who are said to discover a great disposition to wriggle out of their engagements—like the Emperor William's forebear the Elector John Sigismund, who propounded this highly convenient principle: *in malis promissis rescinde fidem.*

Lastly, there ought to be no occasion for us to be afraid of any hostility from the powerful banking interest, because they have no earthly reason to dread the coming upon the scene of Co-operative Credit. That issue has been tried out and Co-operative Credit has been given a clean bill of health. Co-operative Credit simply steps into the gaps which the

more substantial bankers' Credit necessarily leaves. Those gaps are large; but the filling of them does not encroach upon ordinary bankers' domains. Co-operative Credit supplies what other banks by their very nature could not provide and directly trains up present outsiders for business with the larger institutions—just as our useful little "Collecting Banks" train up depositors for business with Savings Banks. Co-operative Banks are accordingly not rivals to those banks, but feeders and recruiting officers. Large bankers in Germany—the country *par excellence* of Co-operative Credit—have formally acknowledged this fact at their Congress at Hamburg, held a few years ago, and have there declared Co-operative Banks to be, not only useful, but downright necessary for the country's wants. And, with men of their calling of the standing of the late Lord Avebury, Ettore Levi, late Vice-President of the Bank of Italy, and others of the same eminence, to pronounce us harmless, our bankers surely have no reason to grudge our coming into the field as an active force. It only means ultimate gain to themselves.

What we want is leaders—leaders, let me add, who will not be ashamed to learn before they take upon themselves the charge of teaching. That is the point on which the shoe still pinches. The men who went out to India as pioneers took the trouble to learn the craft which they themselves were called upon to teach, before they began their teaching. They all learnt. They took trouble to do so, as I can attest, because I was a witness to it. Mr. Gourlay actually went to Neuwied for a few weeks' apprenticeship. What have we to pit against that? I have observed nothing of the same kind in this country. "Don't tell us about principles; give us Rules." That is what eminent M.P.'s told me in 1894, when by invitation I lectured in the House of Commons. The Chairman of the defunct Agricultural Banks Association just sent his Secretary on a flying visit to Neuwied, where he probably could not even understand properly what was said to him. By its fruits you can tell what it was worth. And that was all. Generally speaking our would-be leaders, evolving instruction out of their own inner

consciousness, have argued rather against the principles established by experience than conformed to them, propounding precepts which those originators of successful Co-operative Credit have particularly condemned.

Has not the time come when a stop should be put to this overprolonged "Mellesis"—this "going to do" without ever "doing" it? We are preparing for Reconstruction at all points. That is now our obsession—very rightly so. We have learnt by observation what command of Credit, to be freely used—not recklessly, but creatively—is worth, in the action of Trade, of Commerce, of Agriculture. Our defeated foe, Germany, has taught us a lesson in this respect—among other useful lessons which we have accepted. We are forming "Industrial Banks," "Export Banks," banks for all sorts of purposes such as we did not have before—except for that one purpose of Agriculture—more specifically small Agriculture and small Trade—in respect of which the contrast is greatest between ourselves and our continental neighbours, friends and foes alike, and by the use of which such neighbours have profited most conspicuously during the war, keeping their Agriculture going and productive in spite of our blockade.

It is truly childish to object, as Mr. Leroy Lewis has done, writing as Chairman of the Central Chamber of Agriculture, that the thing is "foreign," as if that of itself must condemn it. We are not equally squeamish about other "foreign" things that suit our book. We gladly accept Mr. Edison's American inventions, Madame Curie's French radium, Commendatore Marconi's Italian wireless telegraphy. In India we have thankfully accepted Brandes' German Forestry. Why should we reject what in truth has probably sprung from an English (Friendly Society) seed, moulded by Schulze-Delitzsch—whose great ambition in politics was to endow his own country with a constitution like our own; by Raiffeisen, the cosmopolitan philanthropist, and by M. Luzzatti, the Italian statesman and economist of world-wide reputation?

With all deference for Mr. Leroy Lewis, I believe that most of our countrymen will hold, with St. Paul, that it is

better to " prove all things and hold fast that which is good." Indian Registrars' practice has amply demonstrated what even previously M. Luzzatti's creative capacity had made clear, namely, that you can adopt principles without slavishly copying methods ; that you can adapt what comes from foreign sources freely to your own circumstances, with originality, resourcefully, so as to make it indigenous. If Mr. Leroy Lewis will inquire in the country from which he himself comes—where surely there is plenty of hyphenated Americanism held in honour—he will find that there, where farming is recognized as a great national, and has become a democratised interest, the need of Agricultural Credit—productive, not mere stop-gap Credit—is fully, increasingly appreciated, and in the absence of Co-operative Banks—which, it must be admitted, it is not quite easy to form where the qualified population is of so motley and chequered a character, and such rapidly changing composition—bankers are now generally doing all that they can to adapt their business to farmers' wants, appointing " farmers " on their staffs, to serve as " bridges " between the two heterogeneous classes whose interests are in truth closely interwoven. Distinctly they scent coming " business " in the aimed-at prosperity of Agriculture. And they are aware that the two interests do not themselves understand one another—men of the counter and men of the plough, each with ideas, habits, conceptions, fancies distinctly of their own. This is really only an enlarged and democratized repetition of what the Bank of France has wisely done long ago with excellent results, by nominating—by standing rule—an Agricultural " Regent " on its Board, to deal with questions of farmers' Credit. The bulk of that Credit in France is really enormous —and despite the not fully co-operative work of the *Crédit Agricole*, actually more appears still to be done by the Bank of France than by the *Crédit Agricole* institutions. Ambassador Herrick has expressed himself truly amazed at the immense amount of agricultural " paper "—down to bills for only five francs—which he saw piled up in the Bank of France when visiting that institution in the course of his inquiries. That " bridge " between the two callings—

now efficiently represented by the Agricultural Regent M. Bénard—has been found to answer extremely well, alike in France and beyond the Atlantic, leading bankers to understand farmers' wants and ways, and *vice versâ* farmers bankers'. From the United States the arrangement has quite naturally found its way into Canada, where likewise the interest of the farming class is assiduously studied, because its value is understood, and the need of Credit for this class is judged to be anything but "sufficient in the shape of bankers' overdrafts" such as our Central Chamber of Agriculture has pronounced it to be. Co-operative banking, so I hold, would be better still, as giving to farmers a better secured right and greater benefits. No doubt in course of time it will come.

We ourselves have not yet, after twenty-six years of talking and toying with the question, got either one thing or the other—either for Agriculture or for Small Industry or the supply of domestic wants. Neither have banks drawn nearer to their would-be customers, nor have those intending customers taken the matter into their own hands. In spite of riches heaped up in some pockets, in this respect our country's provision for Credit still remains a close preserve, a province in which "the poor is denied Credit because he is poor, and remains poor because he has no Credit." The importance of the matter appears never to have been grasped by those who have it in their power to provide a remedy. The question is judged by people who themselves need no credit and of course find further facilities for Credit uncalled for. But by the side of the well-watered Land of Goshen lies a wide, thirsty desert panting and longing for its "Nile."

Then has not the time at length come for carrying fructifying water on this neglected, needlessly idle plain—thereby incidentally guiding poor men's aspirations into a channel less turbulent and more fruitful than class conflicts and strikes, such as naturally spring out of the separation of Capital and Labour, which it is the aim of Co-operative Credit to correct? All that we want is to be in earnest about it. We have never thus far shown ourselves so

yet. People look to Government to initiate something. However all my reasoning, all the reasoning of those from whose arguments and practice I have learnt, goes straight against allowing the movement to be Government-made and Government-directed. Governments may constrain, but they cannot convert. Government-made Co-operation is never worth much. If the movement is to be worth anything it must not be Government-, nor yet County Council-made, but spontaneous, self-raised. However, Government can do something towards its development, if it only chooses to. And I hold that in the public interest it is called upon to do so—rather than spoiling existing prospects by persistent meddling in the wrong place and the wrong direction. What we want, as observed, is leaders—leaders who have first learnt. We have not even tried to learn, so that we could properly organize. Consequently, our organizations are in the main faulty. If good is to be done there must be leaders with knowledge. Of such equipment unfortunately very little is still to be found on our island. The " organizing secretaries " that at the choice of its late President the Agricultural Organization Society sent about the country —far too few—could not with their knowledge have passed muster before any board of expert examiners. Though one would like the Government scrupulously to keep its domineering hand off professing voluntary organizations, it is the only body in the country which can with any prospect of success take in hand the training of teachers and organizers, and encourage the study of the business. On such action it may without compunction spend what sums it pleases. It will have all the less occasion or temptation to spend afterwards. Abroad, wherever Co-operative Banking flourishes and produces rich results, Co-operation is made a subject of study—in schools, in colleges, at universities. Our Indian Registrars likewise have—with the approval of the Government which provides the means—taken to training officers for their societies, who by the knowledge so acquired become qualified for teaching. The United States Department of Agriculture, busy at all points, is busy also at this. We have nothing of the sort. And with

all due deference, the steps which our Government has thus far taken to promote what Mr. Asquith even in the early days of his first Premiership spoke of as a work of a value so fully recognized that he could not accede to the demand made for further inquiry, are simply laughable. Sir T. Elliott had, during his Secretaryship at the Board of Agriculture, conceived a plan which to me appeared workable, at any rate as a first step. That was in 1910, after the triumphant passing of my Bill in the House of Lords. He appears to have been overruled. The inquiry addressed to bankers, if they would be willing to deal with Agricultural Credit Societies, in granting loans and taking deposits, was purely infantile. Why, Irish and Indian banks do that as a matter of course and business, not of favour, without being specially appealed to. The late Colonel Dease, at that time Governor of the Bank of Ireland, assured me so long ago as in 1894, when at Dublin I explained the system of Co-operative Banking to him, that he would very gladly do such business if it were brought to him. And his Manager of Country Business told me the same thing. You might as well ask a grocer if he is prepared to sell his goods. Even more inert was the offer subsequently made by the Board of Agriculture to grant loans from Government funds to *individual* farmers upon the recommendation of their County Council. That has produced a mere nothing—scarcely more than the famous oat crop in Richmond Park. A few months ago Sir R. Winfrey stated in the House of Commons that in all "about £6,000" had been lent out to "approximately 750 men." That gives British Agriculture much indeed to be thankful for, and who is not to expect sufficiency of agricultural production after that! The matter was taken up at the wrong end. Our wise Government deliberately began with *takavi* at the very time when Indian administrators, experienced in that form of loan, are endeavouring to substitute Co-operative Credit for it. *Videsne, mi fili, quantilla prudentia homines regnantur?* Oxenstjerna must have possessed the gift of prophetic vision.

We want teachers, and we want leaders. Teachers who

are content to learn and who also possess thegift not bestowed upon every one, an ability to communicate their knowledge, when acquired, in a form readily intelligible to plain minds. And leaders, who will forget that they themselves were born to the possession of a bank-book and having a big balance at their bankers', but who know how to place themselves mentally in the place of those whom they are addressing—men who are in earnest, and who do not grudge a little trouble. Here is a national work to be done, and it wants devoted and persevering men to do it. However, the prize is worth the labour. Once the start has come to be made—on right lines—once the way to success has been shown to those who need it, although not all concerned may realize their want, there can be little doubt that the ball will run on with its own impetus, as it has done elsewhere, gathering substance around it as our Distributive Co-operative Movement has done. The materials are ready to our hand. The need is proclaimed. Add the will, supported by knowledge, and the result cannot be doubtful. "*Vouloir*," so wrote Léon d'Andrimont, the "father" of Belgian Co-operative Credit, when starting on his course, "*voilà le grand mot de la Coopération, sa raison d'être, la garantie do son succès.*" "Find Raiffeisen," were the words with which Sir F. Nicholson concluded his masterly Report. "Find the Will, find the Knowledge, train your teachers, and, so equipped, offer your gift to the country," say I, "and you are not likely to be disappointed. Fertilized in the same way, our country will bring forth the same rich crop of benefits, economic, social and moral, that Co-operative Banking has produced in the countries around us."

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