

**THE UNIVERSITY OF CHICAGO.
CO-OPERATIVE CREDIT
ASSOCIATIONS IN THE PROVINCE
OF QUEBEC, A DISSERTATION**

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The University of Chicago. Co-Operative Credit Associations in the Province of Quebec, a
Dissertation by Hector Macpherson

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THE UNIVERSITY OF CHICAGO
FOUNDED BY JOHN D. ROCKEFELLER

CO-OPERATIVE CREDIT ASSOCIATIONS
IN THE PROVINCE OF QUEBEC

A DISSERTATION

SUBMITTED TO THE FACULTY OF THE GRADUATE SCHOOL OF ARTS
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BY
HECTOR MACPHERSON.

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CHAPTER I.

HISTORICAL SURVEY, SHOWING THE QUEBEC SOCIETIES IN THEIR RELATION TO THE GENERAL CO-OPERATIVE CREDIT MOVEMENT.

Co-operation for the purpose of making credit available at a reasonable rate of interest can no longer be looked at askance as a new and untried phenomenon in the economic world. Indeed, it would seem that the idea is as old as Xenophon. He, it is said, conceived the plan of a bank to which all the Athenian people might subscribe capital, and in the profits of which they might all share. The object was to encourage wisely directed commercial adventure by financial support at rates of interest less oppressive than were extorted at that time; and incidentally to enrich the public treasury as well as the private citizens of Athens. "Thus, while numbers of individuals were encouraged and enabled to employ themselves for their private benefits, the whole Athenian people would become one great banking company, from whose profits every member, it was expected, would derive at least an easy livelihood."¹ But, coming down to our own times, co-operative credit has now an unbroken record of over half a century to vouch for it, and that record is one which discloses an expansion and success which are truly marvelous.

The movement took its rise in Germany, which has been called the fatherland of co-operative banking. In 1850, Herr Schulze, Mayor of Delitzsch, who was also a judge and a member of the Prussian National Assembly in 1848, established in Delitzsch-Eilenberg his first loan society with a membership of ten artisans. Two years later he remodeled his society as a self-supporting institution, with a share capital.² In 1856, he

¹Mitford's History of Greece, iv. 22. Quoted by J. W. Gilbert: History, Principles, and Practice of Banking, i, 6-7.

²C. R. Fay: Co-operation at Home and Abroad, 19-20.

published a book setting forth the purpose and scope of his scheme. Three years later he organized the "Allgemeiner Verband der Deutschen Erwerbs- und Wirtschafts-Genossenschaften," of which he was director until his death in 1883.³ He was instrumental in securing the first co-operative law in Prussia in 1867, which was made an imperial law in 1889.⁴ Thus arose what has come to be known all over Europe as the town or industrial type of co-operative bank.

About the same time, another movement took its rise in Germany which has meant even more to the poorer agricultural classes than the town bank has to the larger landholders and industrial classes. The honor of first establishing rural co-operative credit associations belongs to Herr F. W. Raiffeisen, burgomaster of a group of villages around Neuwied. He was a man of great mathematical ability and of broad and varied experience. He was an ex-soldier, a wine-merchant, and had rendered valuable service in superintending the building of a railroad on the left bank of the Rhine.

Touched by the poverty of the rural classes around Neuwied, Raiffeisen established, in 1848, a co-operative distributing society for the purpose of assisting the poor to get their supplies of potatoes and bread. The next year, under the patronage of a number of wealthy philanthropists, he organized a credit and loan society at Flammersfeld, designed to provide credit on easy terms to needy farmers. The great importance of this association rests upon the fact that it indirectly determined the trend of the whole future movement of rural co-operative credit in Europe. One thing Raiffeisen learned from this experiment. He became forever convinced that the crying need of the poor was not for philanthropic aid, but for some sort of organization which would enable them to obtain credit funds for themselves. Hence, in 1862, he started another credit and loan society at Anhasen, and in this association the membership was made up of the borrowing farmers themselves.⁵ Four years later Raiffeisen published his essay, "Die Darlehenskassen-

³Ibid., 20. ⁴Ibid., 21.

⁵Ibid., 19-20.

vereine," in which he commended the Schulze-Delitzsch type of bank for towns and industrial centres, and the Anhausen model for agricultural communities. But he seems gradually to have changed his mind; and from 1873 until his death, in 1888, he devoted all his energy to the furtherance of rural associations of the Anhausen type.⁶

With the establishment of these two models of co-operative credit association, there was started a movement which has had a tremendous influence on the rapid agricultural and industrial development of Germany during the past sixty years. There is scarcely a town of any importance but has its town bank. These are often stately edifices, each with a well paid staff of clerks and officers, where the most important banking business of the city is transacted. On the other hand, the modest Raiffeisen association has spread among the agricultural towns, villages, and rural districts, carrying thrift, ambition and progress with it everywhere.

In 1905, there were in Germany 1,020 banks of the Schulze-Delitzsch model, with a total membership of 586,595. Sixty per cent. of these members availed themselves of credit; and the total loans granted in 1905 amounted to 3,000,000,000 marks, upon which was charged an average rate of 5.05 per cent. interest. Of the country banks, the number for Germany in 1905 stood at 13,181. The 10,786 of these associations belonging to the Imperial Union, for which reliable statistics were available, had a membership of 954,473, and had granted credit for that year aggregating 500,000,000 marks, at a rate of interest which probably averaged about one per cent. less than was charged by the town banks. The average credit advanced per member was 500 marks, as compared with 5000 marks per member granted by the Schulze-Delitzsch associations.⁷

But the co-operative movement has by no means been confined to the country of its origin. In 1865, Signor Luzzatti established the Popular Bank of Milan with an initial capital of 700 lire, of which the founder himself subscribed 100 lire, thus becoming the largest shareholder among the charter mem-

⁶Ibid., 20. ⁷Ibid., 48.

bers of the association.⁸ But this small beginning furnishes but a slight indication of the subsequent importance of the movement. In 1906 there were 829 town banks in Italy, with a capital of 133,000,000 lire, deposits of 700,000,000 lire, and credits to the amount of 453,000,000 lire. The first rural bank in Italy was established by Signor Wollemborg, a doctor of Lorregia, in 1883. By 1906 there were 1,461 agricultural associations in operation in Italy.⁹ Through this system of rural co-operative credit, the entire agricultural situation has been revolutionized; and not only has great material progress resulted, but the accompanying intellectual and moral advancement has been equally great, and has been spoken of in the highest terms.¹⁰

In somewhat similar manner, the story might be told of the way in which country after country has been invaded by the co-operative credit movement until almost every part of Europe has felt its influence. We have France with its 18 popular banks and 1,638 rural associations in 1907;¹¹ Austria and Hungary, where about 4,000 agricultural credit societies were in operation in 1904;¹² and Belgium with its 431 country banks, December 1905, and a prosperous group of 17 town associations doing business in 1906.¹³ The movement has become firmly rooted in Holland and Switzerland; it has taken possession of Russia, Finland, Servia, and the Grand Duchy of Luxemburg; it forms part of the general plan of co-operation by means of which Sir Horace Plunkett and the Irish Agricultural Organization Society are bringing about a much needed revolution among the poorer agricultural classes of Ireland; and it is being tried by the British Government as a means of alleviating the distress of the poverty-stricken millions of India.¹⁴ Speaking of the Irish situation, in his book published in 1904, Mr. E. A.

⁸Ibid., 63. ⁹Ibid., 67-69.

¹⁰E. A. Pratt, *The Organization of Agriculture*, 123.

¹¹C. R. Fay, *Co-operation at Home and Abroad*, 68 and 72.

¹²E. A. Pratt, *op. cit.*, 165 and 153.

¹³C. R. Fay, *op. cit.*, 67-69.

¹⁴See below Ch. iv, page 74.