

**AGRICULTURAL  
CREDIT, PP. 1-40  
(NOT COMPLETE)**

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Agricultural Credit, pp. 1-40 (not complete) by Maurice Dufourmantelle

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**MAURICE DUFOURMANTELLE**

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CREDIT, PP. 1-40  
(NOT COMPLETE)**



*With the Compliments  
of the Translator.*

# AGRICULTURAL CREDIT 1860

BY

MAURICE DUFOURMANTELLE

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TRANSLATED FROM THE FRENCH

BY

PAULINE CARTER BIDDLE

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**PAULINE CARTER BIDDLE.**

01-17-1910

# AGRICULTURAL CREDIT.<sup>(1)</sup>

## I.

### General Theory of Co-operative Credit, Example of Foreign Countries. The French System. What should be Done.

#### FIRST ATTEMPTS TO ORGANIZE PEOPLE'S CREDIT IN FRANCE.

We shall doubtless surprise nobody in stating that France was one of the first countries where the idea of applying co-operation to credit originated, but which nevertheless was one of the last, where it was put into practical use.

This is frequently the case with us. We have many ideas, there is even boldness in their conception, then when it comes to applying them in the realm of fact, a strange timidity is evident, or at least an insufficient sense of present contingencies. The history of people's credit, in France, offers a striking example of this frame of mind.

In 1857, the first co-operative urban credit society<sup>(2)</sup> was founded in Paris, by some workmen, and called "Banque de Solidarité Commerciale," (Bank of commercial joint responsibility), based on the principle of savings and mutual aid. The idea of agricultural credit had not yet originated.

<sup>(1)</sup> Under this title we give a summary of the theories and precepts which were the subject of several lectures we had the honor to deliver during March, 1908, at the headquarters of the Union Centrale des Syndicats des Agriculteurs de France.

<sup>(2)</sup> I have used the terms credit society and credit bank interchangeably, such associations being so called indifferently in Great Britain. (Translator's Note.)

It is estimated that in the course of the following years, nearly 200 similar societies were founded in Paris and the provinces. The impetus seemed given, yet thirteen years later, in 1870, nothing remained of this ephemeral movement; for in fact the idea had strayed almost at the start from its original purpose, in some instances, through lack of specific training in those interested, they seeing in co-operative credit only a means of substituting for salaries a system of co-operative earning, based on production, and by their inexperience and impatience mutually compromising these two forms of association; in other cases, and this was more serious, the funds served to foment strikes and support workmen's coalitions.

Is it to be wondered at, that institutions directed in this way, should have proved failures of which some were notorious? Is it surprising either that the cause of people's credit, discredited by these failures, should then have been obliged to wait nearly twenty years before again finding in France partisans and promoters?

#### EXAMPLES FURNISHED BY FOREIGN COUNTRIES.

While the French co-operators frittered away their time, their efforts and their money, co-operative credit was patiently and consistently building up in neighboring countries, with a clear view of means and end and on a solid basis, a movement which has constantly increased and expanded from the beginning and of which the marked success excites to-day our admiration and envy.

Prussia was the centre whence the original idea of co-operative credit, conceived and applied from the beginning in its exact and final form, spread over all Europe.

Schulze-Delitzsch and Raiffeisen gave their names to this system, the former in carrying it out more particularly in urban centres, the latter realizing it amidst rural populations, and this happened about 1848, nearly ten years before the first attempt, to which we have referred, in France.



From Prussia the idea extended, little by little, to all the other nations of Europe. Austria adopted it in 1851. The same year, Hungary attempted its first experiments. In 1864, Belgium inaugurated its special movement, by founding the People's Bank at Liège, while at the same time in Italy, through the incentive of Signor Luzzatti, similar banks were instituted at Milan and Lodi. The example gradually became contagious and the movement extended with varying success to Russia, in 1866, to France, in 1883, to Scotland, in 1889, to Ireland, in 1894 and spread to the youthful Balkan States, Roumania, Servia, Bulgaria and finally crossing the seas, the idea took root in Syria, under German influence, in the Antilles and India, through that of England, in Algeria, Tunis, Isle of Réunion and Canada, through that of France.

Such was the marvelous growth of those small but vigorous roots, from which the first shoots sprouted, some sixty years ago, at Delitzsch in Prussia Saxony and Flammersfeld on the Rhine!

Three countries that appear to me typical from different points of view—I mean Germany, Italy and Hungary—deserve our particular attention.

1. *Germany.*—Germany is without doubt the classic field of co-operative credit, formerly its cradle, and to-day the centre of its greatest development.

By January 1st, 1907, 15,000 (exactly 15,602) co-operative credit societies, comprising an army of 2,113,653 members, were already furthering the unremitting activity of commerce, manufacture and agriculture. The number of these associations moreover does not cease to increase from month to month.

If we consult the latest statistics of the principal federations <sup>(1)</sup> for the years 1905-1906, we find for 13,946 urban

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<sup>(1)</sup> General Federation Schulze Delitzsch (Annual for 1906), Empire Federation of Agricultural Co-operative Societies at Darmstadt (Annual for 1906), General Federation of Manufacturing Co-operative Societies at Berlin (Annual for 1906).

and agricultural co-operative credit societies, with 1,797,000 members, the following round numbers:—

Capital .....	Fr. 302,000,000
Savings put to work.....	2,500,000,000
Credit granted during the financial year	5,700,000,000
Reserve fund.....	145,000,000

It is rather difficult to ascertain exactly what proportion of this prodigious supply of capital, placed at the disposal of national industry, is devoted to agriculture, as the People's banks make also agricultural loans but do not distinguish them in their statistics from those granted to commerce and manufacture. It can, however, be estimated, without fear of exaggeration, that agricultural credit participates in the general German movement to the extent of about two billion francs!

How far are we in France from such results!

Moreover, during the ten years I have studied and followed the co-operative movement of our German neighbors, I have admired less its constant progress, than its well-planned and solid organization, which has rendered such a remarkable expansion possible. We will take as an example in support of our statement, the imperial Federation of Agricultural Co-operative Societies, whose headquarters is at Darmstadt, and which is directed, with so much authority and success, by Counsellor Haas.

The plan of this powerful organization, in its essential features, is as follows:—

As a foundation, 16,800 federated agricultural co-operative societies for credit, buying, selling production, &c., of which 11,896, are local banks for loans and savings. During my travels in Germany, I have more than once come in contact, and this in regions very different in customs and economic de-

velopment, with some of these associations. I have been impressed everywhere by the striking evidence of mutual confidence which characterizes them, the habitual self-control shown by the majority of the associates and, at the same time, by the almost invariably just and discriminating business sense of the presidents and directors.

These primary associations are not left without support. They form a secondary group of 41 provincial or district unions, that co-ordinate their efforts by bringing them together and inspiring them with a common purpose, the general assembly of each union uniting annually the representatives of the local societies. In the interval, contact is maintained with the latter, not only through incessant correspondence, advice and consultation with the provincial office, but also by the visits of travelling professors and inspectors. Finally, 73 central societies, divided between the provincial unions, complete from a practical business standpoint the moral efficiency of the latter. Of these 73 central societies, 36 centralize in each province or district the purchase of initial products and working implements, and the sale or transformation of products, whereas the 37 others are district credit societies or banks, whose duty it is to ensure the clearing of capital and the transmission of loans between the local credit banks of their jurisdiction. In 1905, for the whole of their business, the total turnover of 35 of these district credit banks amounted to three and a half billion francs.

The third group, or Imperial Federation, completes and perfects this whole organization. Towards it converge all the provincial elements, the unions maintaining contact with the head office of Darmstadt, the district credit banks uniting, some with the Central Agricultural Bank of the Co-operative Associations (headquarters at Darmstadt), others, with the Central Bank of Agricultural Credit of Neuwied. These two central organizations transacted business, in 1905, for more than a billion francs.