

Land and Loan Associations.

Jas. R. Young, Insurance Commissioner.

Ours is a great country. Our pride in our State is justifiable; but no State or country can be great in its highest sense unless its greatness is founded upon the stability of its different classes of citizens. No class of our citizens can expect to become great and prosperous unless due care is taken to provide for the protection and prosperity of the members of its different classes. No member of any class of citizens need expect to build upon or above his fellows. If he should thus rise, it will be only for a generation; and his children, or at most, his grandchildren, will be drawn back into the average vortex of his class.

These considerations, as well as the desire to better his fellow-men, should, and no doubt do, prompt your Union and each of you individually to study, plan, and work for the uplift of each and every farmer and his family, financially, educationally, and morally.

I come to you to-day with some suggestions along a line much needed, and they are, in my opinion, entirely feasible. The financial problem is ever with the farmer. His crops must be made, harvested, and marketed. Much money is needed, and can generally be obtained only with trouble and at high rates. It is generally understood that our farmers, while the main producers, and comprising the bulk of our citizens, are required to pay the highest rates for funds and all financial accommodation. I do not claim to be a financier, but I do not believe that just reasons exist for this condition of things, and am sure that if they do, they can and ought to be remedied.

I am free to say that the needed help must come, not from outsiders, but from the farmers themselves. They need not look to the bankers, merchants, lawyers, politicians, or, in fact, to any class of their fellow-citizens; and in saying this I mean no reflection upon any of the classes named. I am merely naming them by way of illustration. The farmers, as class and individually, must learn thrift and system, economy and co-operation, pride and self-reliance.

President Taft.

In a letter to the Governors on increasing the farmers' profits, President Taft said:

"The twelve millions of farmers of the United States add each year to the National wealth \$8,400,000,000. They are doing this on a borrowed capital of \$6,040,000,000. On this sum they pay annual interest charges of \$510,000,000. Counting commissions and renewal charges, the interest rate paid by the farmer of this country is averaged at 8½ per cent as compared to a rate of 4½ to 3½ per cent paid by the farmer, for instance, of France or Germany.

"Again, the interest rate paid by the American farmer is considerably higher than that paid by our industrial corporations, railroads, or municipalities. Yet, I think it will be admitted that the security offered by the farmer in his farm lands is quite as sound as that offered by industrial corporations. Why, then, will not the investor furnish the farmer with money at as advantageous rates as he is willing to supply to the industrial corporations? Obviously, the advantage enjoyed by the industrial corporation lies in the financial machinery at its command, which permits it to place its offer before the investor in a more attractive and more readily negotiable form. The

farmer lacks this machinery, and lacking it, he suffers unreasonably."

Further commenting on the situation, by way of suggesting some remedy, the President says:

"It is not my purpose here to lay down any one plan as necessarily the one most suitable for adoption in the United States. From the reports of our Ambassadors and Ministers in Europe, and from the recommendations of Ambassador Herrick, to whom was given the task of compiling from these the general report, I am inclined to suggest the suitability of organizations similar to the German land-mortgage banks for incorporation under State charters in this country. It will be most desirable, if, indeed, not essential, that the laws creating and governing such institutions should be uniform throughout the States, in order that they might be well understood by the investor, and their debentures should be given character both at home and abroad. As a later step it may prove advisable to urge the enactment by Congress of laws permitting the creation of National land-mortgage banks similar to those of Germany and France, with limited privileges, and surrounded and guarded by strict supervision, but with sufficient appeal to American initiative and opportunity, with the power to guarantee and market a guaranteed debenture bond of the State mortgage bank or co-operative society. Securities issued by such National institutions would probably find a ready market in Europe at low rates of interest, since they are a favorite and familiar form of investment in those countries by the conservative investor."

Mr. Harvie Jordan.

Of course, you have many suggestions along this line, and in your meetings consider and discuss the different plans to bring about these desirable ends and conditions. Another statement of the situation, with suggestions practically along the same line, came recently from one of your foremost and most practical leaders, and may well be classed with the suggestions of President Taft as worthy of your careful thought and consideration. I allude to the recent address delivered in New Orleans by Mr. Harvie Jordan, of Atlanta, Ga. I have only seen a partial newspaper report, in which Mr. Jordan is quoted as saying:

"The credit system as employed by American farmers is not only primitive and out of date, but it has persistently kept the producers of the agricultural wealth of the Nation as much enslaved and as helpless in the proper distribution of their products as were the peasants during the decadence of the Roman empire.

"Place an American farmer on the same footing as the European farmer through his co-operative societies, his rural banking system, his marketing methods, and the use of a dynamic money, and he will manage his affairs with safety to himself and satisfaction to the public at large.

"We must establish a credit system of, for, and by the farmers of the United States. And this system must be put into practical operation by the co-operative efforts of the farmers themselves, under the enactment of wise, safe, and sound State and Federal laws.

"While commerce has all the active or dynamic dollars at its command, our great agricultural interests have but little if any kind of money at their command, and that is

mostly static or dead money which is capable of being turned over but once a year."

And in suggesting a remedy, Mr. Jordan says:

"You ask me how it is proposed to obtain for the farmers the benefit of the dynamic dollar. It is believed that this can be successfully done by adopting the methods employed in European countries through their systems of rural credit banks."

European Co-operative Banks.

In view of these statements and suggestions by President Taft and Mr. Jordan, practically the same, it might be well to review briefly the different kinds of co-operative banks or mutual credit associations operating in different parts of Europe, and the plans upon which they work. This will enable us to get some idea of their work, and whether either of the plans is suitable as a whole to the conditions surrounding our farmers in this country, and if not, at least to see if we cannot form some feasible plan by adopting and combining suggestions from the several different plans in use among the co-operative banks and associations in Europe.

Landschaften.

The Landschaft of Germany was founded in 1770, in Prussia, by a royal decree of Frederick the Great, who forced the impoverished landowners to combine together in order to obtain funds to rehabilitate their run-down estates. It is the most ancient form of a mortgage-bond company, as they take only real estate as security. As an association of landowners they form a syndicate of borrowers, and bind themselves jointly and severally for their debentures, by which the association is financed. These debentures are secured by the mortgages, the accumulated reserve, and the unlimited liability of the members. Its sole object is to obtain cheap and facile credit for its members. It has no capital and pays no dividends, all profits being passed to the reserve. All loans are for long periods—thirty to seventy-five years—and are gradually extinguished by semi-annual payments for interest and part of principal under an amortization plan.

Raiffeisen Bank.

In 1849, in Weyerbusch, Germany, Herr Frederick William Raiffeisen, a weakly and partially blind man, started the first agricultural mutual society. The pure so-called "Raiffeisen" Bank is simply a co-operative association in which all members bind themselves to be jointly and severally liable without limit for all the debts it contracts. The chief features are that the association is absolutely local, its membership and business being confined to a restricted neighborhood. Its officers and employees must be members and give their service gratuitously, except the cashier, who is allowed a small salary. The value of the capital shares is nominal, only small dividends being paid. Most all the profits are put in the reserve. The society accepts deposits from members and outsiders, and has savings bank regulations as to withdrawals. They lend only to members, and when they have no money on hand for this purpose they borrow on the collective guarantee of their solidarity and their reserve. They lend principally on personal credit of one or two sureties, but sometimes on mortgages. Their loans run from a month to fifteen or twenty years. The short loans are renewable, while the long-time loans invariably are extinguished by amortization. There is little delay or red tape in getting the loan. The farmer submits his application, and inquiry is made into the solvency, or rather

honesty, of the farmer and his guarantors, and as to what use the money is intended for. Both of these must be satisfactory. It is absolutely required that the loan be used for a creative purpose and the use specified in the application under a penalty of immediate recovery and dismissal of the applicant from the society.

Schulze-Delitzsche.

About the middle of the nineteenth century the Socialists flourished in Germany, and a great leader, Dr. Karl Marx, was at the head of the International Association, but in opposition to this, Herr Schulze of Delitzsche devised a people's bank, or co-operative credit bank. Morier describes co-operation as the "child of Socialism, rescued by the economists from the dangerous custody of its parents." So that no one need be alarmed that this form of credit bank or association was the outcome of Socialism. The shares were fixed at forty thalers (less than \$30), and could be paid up in installments. Each member could borrow up to 50 per cent more than the value of his shares. The society or bank borrowed money at a low rate of reloan to its members. If necessary, the members could withdraw the amount paid upon shares on leaving the association and be relieved of liability after two years. Under this system a loan to acquire something merely for consumption was not tolerated, no matter what security was offered. The loan was required to be strictly for creative purposes. This was the first principle, and was so rigorously adhered to that the society invited only those who were producers of wealth to its membership.

Credit Foncier.

The Land Banks in France are established and aided by the Government, and since 1896, under the "Credit Agricole," a Bureau of the Department of Agriculture, are supervised and managed. The official publication by the French Ministry of Agriculture thus speaks of their establishment: "The reason for establishing the system of agricultural credit is to enable agriculturists who are members of the local association (caisse locale) to obtain on the most favorable terms advances of sums of money which may be used for what is necessary in their business." These land banks in France are furnished with a large sum of money, which, under statute, the Bank of France was required to advance without interest. The amount first called for was \$8,000,000, and an annual tax which amounted to about \$1,000,000.00. This fund is distributed among the local associations to be loaned to their members at a low rate of interest. They operate on the unlimited liability plan, are careful in the selection of their members and in making loans, and have never lost a dollar. They aid the farmers to purchase stock, artificial manures, select seed, harvest and market their crops, and, when necessary, to hold them for better prices. The money is usually furnished by the local banks to their members at 3½ per cent per annum.

The Scotch Cash Credit.

In Scotland many banks deal with the farmers under a system called the "Cash Credit System." A number of farmers get together and jointly borrow money. They bind themselves jointly and individually, for the whole amount, and then agree as to how much shall be used by each man, while he is allowed to draw out of the bank as he needs it. The bank opens an account with the individual, allows him to draw out as needed, and whenever he is ready he can deposit payments with the bank,