

Co-operative Credit in Europe

(This is another installment of a series of articles about rural conditions in Europe, as they relate to the business side of farming and is reprinted from the Texas Farm Co-operator.)

The rural banks felt from the beginning the need of combination amongst themselves for common purposes. The need was two-fold. On the one hand a common organization was required to direct the movement and to give it uniformity; on the other hand, there was need of central institutions which might equalize the need of credit of the individual banks, supplying them with money when required, and employing their surplus funds.

For the first of these objections the Federations were formed; for the second, the Central Institutions.

The Federations of co-operative societies are unions formed for propaganda, education, and mutual defence. They embrace not only rural credit societies, but rural co-operative societies of every kind.

We have already mentioned the existence of two Federations which embrace the whole Empire within their sphere of operations—the Federation of Agricultural Co-operative Societies, with headquarters at Neuwied, founded by Raiffeisen in 1877, and the National Federation of German Agricultural Co-operative Societies, which was founded in 1883, and has its headquarters at Darmstadt. For a long time these led a separate existence, each propagating its own ideas; sometimes, too, there was hostility between them. Finally, in 1905 the Neuwied Federation became affiliated to the National Federation of Darmstadt. There is now, therefore, a single organization, the National Federation of Darmstadt, which embraces agricultural co-operative societies. It contained on June 1, 1910, no less than 18,962 co-operative societies, including in seventy-eight central co-operative societies, 2,028 co-operative dairies and 1,885 co-operative societies of other kinds.

The National Federation is, in reality, composed of Provincial Federations. In fact, only five co-operative societies, of which four are central institutions, are directly affiliated to the National Federation, while all the rest are indirectly attached to the National Federation by being affiliated to the respective Provincial Federations. These are federations which embrace the co-operative societies in a defined portion of the territory of the Empire, and which, although affiliated to the National Federation, enjoy a large degree of autonomy.

Besides the work of instruction, organization and propaganda, they fulfill the very important function of inspection, assigned to them by the law of 1889. For this purpose they employ inspectors, who, by frequent visits, supervise the management and the conduct of the business of the affiliated societies.

To indicate the importance of the provincial federations, it is sufficient to say that of the 23,845 rural co-operative societies existing in Germany in 1910, no less than 21,830 (i. e., 92 per cent) were organized in federations. The number of Provincial Federations affiliated to the National Federation is forty-one. Besides these, there are some independent federations which embrace a limited number of co-operative societies and of which the most important is the federation of Wurtem-

berg, containing 1,383 co-operative societies in 1908.

(b) The Central Banks.

As we have already indicated, the second method of centralizing rural banks and co-operative societies in general is the formation of central banks. Between these and the federation there is no confusion of functions, but they mutually support one another. The central banks undertake the provision of capital for the rural banks and the utilization of their surplus funds, when they have any, always keeping in touch with the corresponding federation, to which they are usually linked by the fact that the same persons manage the business of both institutions. Further, the central banks, as a rule, only admit co-operative societies which already belong to the federations of their province.

The provincial central banks are co-operative societies with limited liability. The Bank of Darmstadt alone is a company with liability limited by shares, having been founded before the law of 1889 allowed the formation of central co-operative societies composed of other co-operative societies.

In 1910 there were affiliated to the National Federation thirty-six provincial central banks, of which thirty-five various regions of Germany and one was in the German colony of southwest Africa.

Speaking broadly, it may be said that the central banks fulfill the same functions for the rural banks which the rural banks fulfill for their members.

As in the case of the rural banks, the working capital is furnished by the share capital, by the deposits of the co-operative societies, and by the sums which they procure by loans from the general central banks, or the Prussian Central Bank (of which we shall speak presently) and from other banks, or private bankers. In like manner as we have seen in the case of the separate rural banks, the most important part of the working capital is formed by the deposits of the members. This is clearly shown by the following table, which indicates the working capital of the provincial central banks at the end of 1909:

	Marks	Percentage of total
Paid-up capital	\$21493,532	8.2
Reserve fund	4,321,500	8.2
Deposits of the members	187,345,775	71.3
Loans from the general central banks and the Prussian Central Bank	19,047,687	7.2
Loans from other banks or from private individuals and liabilities in respect of bills	28,616,679	10.9
Other items	1,990,123	0.8
Total	\$262,815,596	100.0

From these figures we see that of the working capital of the Provincial Banks 9.8 per cent is formed by the funds of the banks themselves (share-capital and reserve), 71.3 per cent by deposits and 18.9 per cent by loans contracted with third parties. If we compare these percentages with the corresponding figures for the rural banks, we shall see that the funds of the banks themselves, though representing, in both cases only a small proportion of the total available cap-

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