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RURAL CREDITS
LAND AND COÖPERATIVE

BY
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AMERICAN AMBASSADOR TO FRANCE
AND
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PREFACE

The purpose of this book is to throw light upon the subject of rural credits and to lay before the American people the customs and laws in operation in other countries, so as to prepare the way for more enlightened plans for improving land and agricultural credit facilities in the United States. It is my hope that the material here collected will be helpful in creating a credit system or systems adapted to the needs of the agricultural interests of this country.

The subject of rural credits has occupied my attention, more or less, for a considerable number of years, and I have availed myself of the opportunities of my position as American Ambassador to France to familiarize myself with agricultural conditions and credit systems and institutions in Europe. Furthermore, my twenty-eight years’ connection with the Society for Savings in the City of Cleveland, as treasurer, chairman of the board, and president, has been of great value to me in the formation of ideas regarding financial questions, and especially with respect to coöperative credit. The Society for Savings, with nearly one hundred thousand depositors, is one of the largest of the many savings banks in the country. It has no capital stock; it is mutual in its administration and operations, and was founded primarily for the purpose of encouraging thrift. Indeed, for several years, I have deemed it a patriotic duty to investigate the rural-credit systems and institutions of various nations and to give my fellow-citizens the results of my research.

The project for improving farm-credit facilities and introducing coöperation credit in the United States is not a new one. In an article published in the Journal of Social Science in 1869, Henry Villard, the railroad builder, gave an interesting account of the Schulze-Delitzsch banks, and remarked that
“they can safely be recommended for adoption in this country.” In 1892 the Department of Agriculture published a bulletin prepared by Edward T. Peters on “Coöperative Credit Associations in Certain European Countries.” This document, which is still the best published by the Government on these topics, described the systems of coöperative credit in Germany, Austria-Hungary, Italy, and Russia. In 1901 Andrew McFarland Davis prepared for the American Economic Association, and published in the association’s Quarterly, the history of “Currency and Banking in the Province of Massachusetts-Bay.” This work, which should be carefully read by legislators proposing laws for improving land credit, explains the causes of the failures of the land banks which were established in some of the American colonies in the first half of the eighteenth century. The reports of the National Monetary Commission, appointed in 1907, contain valuable information on land-banks and coöperative credit systems of Europe. All this shows that the problems of rural credits had engaged the official attention of the Government before the launching of the recent movement. In fact, since the collapse of the farm mortgage “craze” in the early nineties, the farmers’ interests have been a subject of consideration by all those who have been studying the question of currency reform.

On November 22, 1908, a coöperative savings and loan society was established at Manchester, New Hampshire, for French-Canadian lumbermen working during the winter in the New Hampshire woods. Some of the members were residents of the agricultural districts of Quebec in which Alphonse Desjardins’ bank was in operation. In 1909, through the influence of Pierre Jay, bank commissioner, the Massachusetts Legislature enacted a credit-union law, a fact which did not become widely known until several years later. In 1910 a thesis on “Coöperative Credit Associations of the Province of Quebec,” submitted by Hector Macpherson to the faculty of the Graduate School of Arts and Literature of the University of Chicago, first attracted the attention of the American public to the work of Mr. Desjardins in Quebec.
The question was beginning to be widely discussed in 1910, and during the summer of that year, while on a trip to Europe, I obtained, through Robert Skinner, then consul-general at Hamburg, statistics and particulars regarding the cooperative land-credit systems of Germany. This information I used in a speech delivered at Delaware, Ohio, on October 26, 1910, before Group Five of the Ohio Bankers' Association. After that I began a thorough investigation of the subject, and became so deeply interested that I brought the matter by resolution before the American Bankers' Association at its annual meeting of 1911 in New Orleans. On November 24, 1911, the Association instructed its Committee on Agricultural and Financial Education and Development (then formed) to investigate the general subject of rural finance in relation to conditions in the United States. Several months earlier, in the same year, the Jewish Agricultural and Industrial Aid Society had begun actually to form cooperative credit societies for farmers.

President Taft was so much impressed with the importance of the problem of rural credits that he directed Secretary of State Knox to instruct the embassies in Germany and Italy and the legations in Belgium and the Netherlands to make investigations in the matter of land credit. In a letter addressed to me on March 30, 1912, the Secretary said:

These missions are being instructed simultaneously to send copies of their reports to the Embassy at Paris, which is requested to undertake the duty of preparing a general report, with all proper exhibits and documents such as will place the Department in possession of all data necessary, to the President for the formulation of some practical scheme which may be worked out to bring the desired benefits to the agricultural communities in the United States. If there are any other countries where such arrangements are already in operation, the Department will, from time to time, be glad to supplement the present instructions with further instructions.

On April 1, 1912, at its meeting at Nashville, Tenn., the Southern Commercial Congress, at the suggestion of David
Lubin, American delegate to the International Institute of Agriculture, held a conference on rural coöperative credit. On April 17, 1912, Senator Porter J. McCumber, of North Dakota, presented in the Senate and had published as a public document an outline of European rural coöperative credit, compiled by the Institute on February 26, 1912. On June 22 of that year, the Republican Party at its convention at Chicago adopted as one of its planks a resolution indorsing the movement, prepared according to my suggestions. Similar resolutions were adopted subsequently by the Democratic and Progressive parties at their conventions.

On October 11, 1912, the Government at Washington, through the Department of State, published the "Preliminary Report on Land and Agricultural Credit," which I had compiled at Paris with the assistance of Edwin Chamberlain, of San Antonio, Texas; Edward N. Breitung, of Marquette, Michigan, and R. Ingalls, of Atchison, Kansas. In formulating the recommendations in that report, I found extremely useful the suggestions and information furnished by M. Decharme, of the French Ministry of Agriculture; Hippolyte Morel, president of the Crédit Foncier of France; Georges Pallain, governor of the Bank of France; Henry W. Wolff, the English authority on coöperative credit; Curtis Guild, then Ambassador to Russia; John G. A. Leishman, formerly Ambassador to Germany; Richard C. Keres, formerly Ambassador to Austria, and Maurice Francis Egan, formerly Minister to Denmark. The report was sent to the governors of the states, accompanied by a personal letter of President Taft approving its recommendations and inviting the governors to a special conference, which was held at the White House on December 7, 1912.

President Wilson proclaimed his advocacy of the rural-credits movement in his inaugural address, and on March 4, 1913, an act was passed by Congress for the appointment by the President of a United States Commission to go to Europe with the American Commission assembled by the Southern Commercial Congress for the purpose of making an investigation and report on agricultural finance, production, distribu-
tion, and rural life in Europe. The commissions sailed on April 26, 1913. The evidence of the American Commission was submitted to the Senate on October 30, 1913, and its observations and a minority report on December 5, 1913. The reports of the United States Commission were submitted to the Senate on January 29 and March 13, 1914.

As a result of the movement, several states have enacted laws to improve rural credit facilities, and there are numerous bills of the same purport pending in Congress and the state legislatures. It cannot be said that the legislation enacted or proposed is entirely satisfactory. Indeed, neither bankers nor farmers, as a class, have given it their unqualified approval. The trouble seems to lie in an attempt to apply European principles to American conditions without adequately studying the credit institutions and systems devised for farmers and landowners in European and the few other countries where they have been developed.

In preparing this book, I have tried to supply facts and figures regarding these institutions and systems, drawing my information from original sources and public documents. Most of these publications are French and German. Those in the English language which were found to be most helpful are, besides the ones mentioned above, Henry W. Wolff's *People's Banks* and other writings; "Reports of Her Majesty's Representatives Abroad on Institutions for Making Advances on Real Property"; Sir F. A. Nicholson's report on "Land and Agricultural Banks" to the Madras Presidency, India; bulletins of the International Institute of Agriculture; Joseph R. Cahill's report on "Agricultural Credit and Agricultural Coöperation in Germany" to the Board of Agriculture and Fisheries, England; and various pamphlets issued by the agricultural organization societies of Ireland, Scotland, England and Wales.

MYRON T. HERRICK.

EMBASSY OF THE UNITED STATES OF AMERICA,
PARIS, FRANCE.
September 1, 1914.