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THE ORGANIZATION OF RURAL INTERESTS.

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THE CAUSES OF THE PRESENT DISORGANIZATION.

THE application of steam to the driving of machinery and the hauling of loads is commonly regarded as the cause, on the one hand, of the marvelous industrial expansion of the nineteenth century, and, on the other, of the general economic disorganization which accompanied that expansion. The breaking up of household and domestic industries and the substitution therefor of the factory system, with, in its early stages at least, its hordes of unorganized workers, has usually been referred to as the industrial revolution. This transformation was by no means so sudden as it is sometimes pictured, and it brought much less disaster and much more benefit than pessimistic and reactionary reformers are willing to admit. Nevertheless, there is no doubt that many of the acute problems of the urban economy of the present day grow out of the efforts of the laboring classes to find a new basis of organization to take the place of the old organization whose foundations were swept away by the creation of a world market and the rise of the factory system. This is the philosophy of that which is known as the labor movement.

A change no less profound, though perhaps less spectacular, has taken place in the rural economy of the civilized world, that is to say, of those countries where mechanical inventions have played such a powerful rôle as they have in America and western Europe. Steam and electricity applied to transportation and communication have created a world market for most agricultural products instead of the series of local, restricted markets which existed formerly. Not only were the markets local and restricted, but around such markets there were little communities which were self-sufficing or nearly so. Most of the manufacturing was done either on the farms or in small shops whose goods were exchanged for the products of the farms. The farms were organized at one time in village communities, which were

really groups of small farms, where the crops, their rotation, the time of plowing, planting, and harvesting, were determined by the customs of the village or the authority of the villagers as a whole, where, in fact, everything connected with farming was organized—overorganized, as we should now say. At another time they were under what is known as the manorial system, in which the villagers, known as villeins, were under the supervision and leadership of the lord of the manor, and compelled by his authority to perform certain common work, such as road building, diking, draining, etc., besides working the lands reserved for the support of the manor house. Inasmuch as the lord of the manor was the local ruler and responsible to the King for the safety and order of the community, these services on his land may be regarded as substitutes for taxes in an age when there was very little commerce and practically no money in circulation. Whatever we may think of the village community with its tyranny of inflexible custom, or of the manor with its practical serfdom, still we must admit that both these systems furnished a kind of organization which made it possible to think in terms of the whole community, and to direct the affairs of the community as a unit. In short, the community rather than the individual farm was the economic unit.

The weakness of both these systems was that the cooperation, if that is the right word to use, was compulsory and not voluntary. In the village community the individual was controlled by the tyranny of the mass, and it was impossible for the individual farmer, however wise or skillful he might be, to improve his methods more rapidly than the average intelligence would permit. The manorial system was somewhat more flexible, and, especially under a wise landlord, permitted improvements which were impossible in the village community; nevertheless every villager was subject to the will of the lord of the manor and was permitted to exercise little or no initiative. The mill for the grinding of grain usually belonged to the lord, as did the bull and other expensive articles connected with agricultural enterprise. Thus there were certain important economies effected by this system of compulsory cooperation, but, like all systems of compulsion, it left little room for individual development. It was therefore a distinct step in advance when the manorial system gave way to a more individualistic type of farming.

Long after the decay of the manorial system, many of the advantages of an organized country life remained. On the large English estates, for example, with their numerous tenants and their resident landlords, the latter remained the leaders in agricultural enterprise. The fact that the owners lived on their estates and took a deep interest and pride in their ancestral acres helped to soften the evils of the tenant system. An intelligent landlord who advised his tenants, directed all large enterprises, experimented with different crops and methods, and improved the breeds of live stock performed most of the functions now performed by a county agent or demonstrator, and many more besides. Again, certain communal rights remained to the villagers and the small farmers, such as the right of gathering fire wood, cutting turf, and pasturing cattle on the common. These common interests compelled a certain amount of united action and gave a certain organic character to rural life. Every member of a rural community realized that he had a definite status in the community, that the community could command his services in a considerable number of details, and that he in turn possessed certain rights to the common utilities of the place.

In the New World, particularly in New England, the methods of founding settlements generally promoted an organized rural life. Sometimes the minister of a church gathered a congregation about him, led them out into the wilderness, and planted them on the soil with the church as the center of the community life. Even where this particular type of "swarming" was not followed, the grant of land was commonly made, not directly to an individual, but to a town or township, and the individual in turn got his grant from the township. The management of the common lands was a perennial problem calling for the effective organization of all the citizens of the township. The townships became, therefore, the units of local government. Being a small and effective unit, and having certain definite problems of an economic nature forced upon it, the township easily undertook other tasks of a voluntary nature, such as drainage operations, the branding of live stock, the appointment of herdsmen to guard all the cattle of the town, the public ownership of bulls, the fencing of the common lands, the construction of roads, etc.

Not only in New England, but everywhere on the frontier, there were common overwhelming needs, such as common defense, the clearing of the forest, the erection of buildings, and other tasks demanding the united strength of the whole community, which forced the people into a kind of cooperation. After the passing of the frontier days there remained such common local interests as the local school, the care of the roads, and the maintenance of the cemetery, to bring the people together around a common interest and give the neighborhood at least the germ of an organization.

Under the public-land policy of the Federal Government, however, particularly under the preemption and homestead laws, an extremely individualistic method of settlement was promoted. This doubtless served important public purposes, but it tended to promote disorganization rather than organization. Lately the tendency has been to take the roads and schools out of the hands of local units and put them directly under county and State administration. Doubtless a higher administrative efficiency is secured by this change, but it tends to remove the last vestiges of the old basis of rural organization. It is doubtless to be desired that this centralizing process should go on until the entire school system of a State is administered as a unit and every country child is provided with as good a school as any city child. At the same time it will be necessary to find a new basis of organization to take the place of the old bases which have been swept away.

EFFORTS AT REORGANIZATION.

Efforts have not been wanting in this direction. Beginning with the granger movement of the late sixties and the early seventies of the last century, the country has witnessed a series of movements, some ephemeral and some lasting, until at the present time we have the National Grange, which is the dominant agricultural organization in the northeastern section of the country; the Farmers' Educational and Co-operative Union, which is very strong in the South; the Gleaners, who are particularly strong in Michigan and parts of adjoining States; and the American Society of Equity, which is strong in the entire Northwest, besides many smaller organizations. These various movements toward an effective organization of rural interests have been very uneven in their results, with many conspicuous failures as well as successes. It is doubtful if any one of them has yet demon-

strated that it has found the key to universal success in this direction. There is need, in the interest both of these existing organizations and of the multitudes of farmers not yet affiliated with any organization, that a permanent body of some kind should begin a comprehensive study of the whole problem of organizing rural life for economic, sanitary, educational, and social purposes. Even if such a body should do no more than keep a permanent record of the successes and failures among farmers' organizations, it would eventually become of incalculable value as a guide for future organizers. But if, in addition to such a record, this body could formulate principles of organization, and give permanency and consistency to the efforts of active field organizers, its work would be of much greater value.

Aside from these fraternal and social organizations among farmers, there have been vast numbers of organizations to promote special agricultural interests. The States of the upper Mississippi Valley are honeycombed with farmers' mutual insurance companies. These have had a longer history of uniform success than any other type of business organization among our farmers. The accompanying table shows the number of such companies in States which publish official lists. There are farmers' mutual insurance companies in other States which report that they publish no official lists, and these States are necessarily omitted from the table. (See fig. 16 and 16 A.)

Farmers' mutual insurance companies.

Arkansas.....	7	New Hampshire.....	19
California.....	18	New Jersey.....	23
Colorado.....	5	New York.....	163
Connecticut.....	14	North Dakota.....	33
Delaware.....	8	Ohio.....	102
Georgia.....	7	Oklahoma.....	1
Idaho.....	5	Oregon.....	3
Illinois.....	230	Pennsylvania.....	237
Indiana.....	76	Rhode Island.....	1
Iowa.....	176	South Carolina.....	19
Kansas.....	29	South Dakota.....	33
Kentucky.....	25	Tennessee.....	17
Maine.....	54	Texas.....	25
Maryland.....	17	Washington.....	6
Michigan.....	77	West Virginia.....	11
Minnesota.....	150	Wisconsin.....	203
Montana.....	7	Total.....	1,867
Nebraska.....	66		

The organization of farmers' mutual telephone companies has had a phenomenal development in the last two decades. As an agency for bringing farms into closer contact with one



FIG. 13.—Cooperative creameries in the United States. Small dot=1 creamery; large dot=10 creameries.

Arkansas.....	1	Illinois.....	62	Michigan.....	105
Arizona.....	1	Indiana.....	67	Minnesota.....	632
California.....	36	Iowa.....	308	Mississippi.....	1
Colorado.....	14	Kansas.....	7	Missouri.....	16
Connecticut.....	15	Kentucky.....	14	Montana.....	9
Delaware.....	2	Maine.....	7	Nebraska.....	14
Georgia.....	2	Maryland.....	3	Nevada.....	3
Idaho.....	3	Massachusetts.....	8	New Hampshire.....	6

another and creating thus a basis for further organization, the importance of a rural telephone system can scarcely be overstated, especially when it is established and managed by the farmers themselves.

Cooperative creameries, cheese factories, and elevators, according to our latest reports, are distributed through the middle Northwest as indicated in figures 13, 13 A, 14, 14 A, 15,

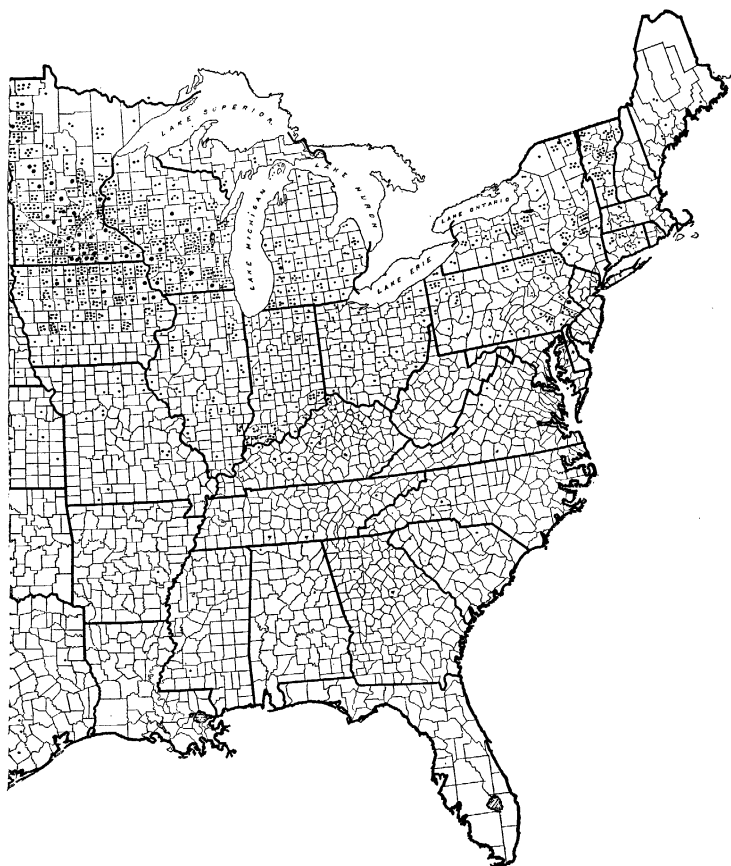


FIG. 13A.—Cooperative creameries in the United States. Small dot=1 creamery; large dot=10 creameries.

New York.....	120	South Carolina.....	1	Washington.....	17
North Carolina.....	2	South Dakota.....	46	West Virginia.....	2
North Dakota.....	43	Tennessee.....	3	Wisconsin.....	355
Ohio.....	32	Texas.....	19	Wyoming.....	1
Oklahoma.....	10	Utah.....	6		
Oregon.....	8	Vermont.....	59	Total.....	2,165
Pennsylvania.....	99	Virginia.....	6		

and 15 A. The question is often raised as to whether these are all strictly cooperative. Undoubtedly many of them are, in form at least, merely joint stock companies, and it may be claimed that such companies are not cooperative in the

strict technical sense. Such a claim, however, is based upon the letter rather than the spirit of the enterprise. Any organization of this kind may be said to be cooperative

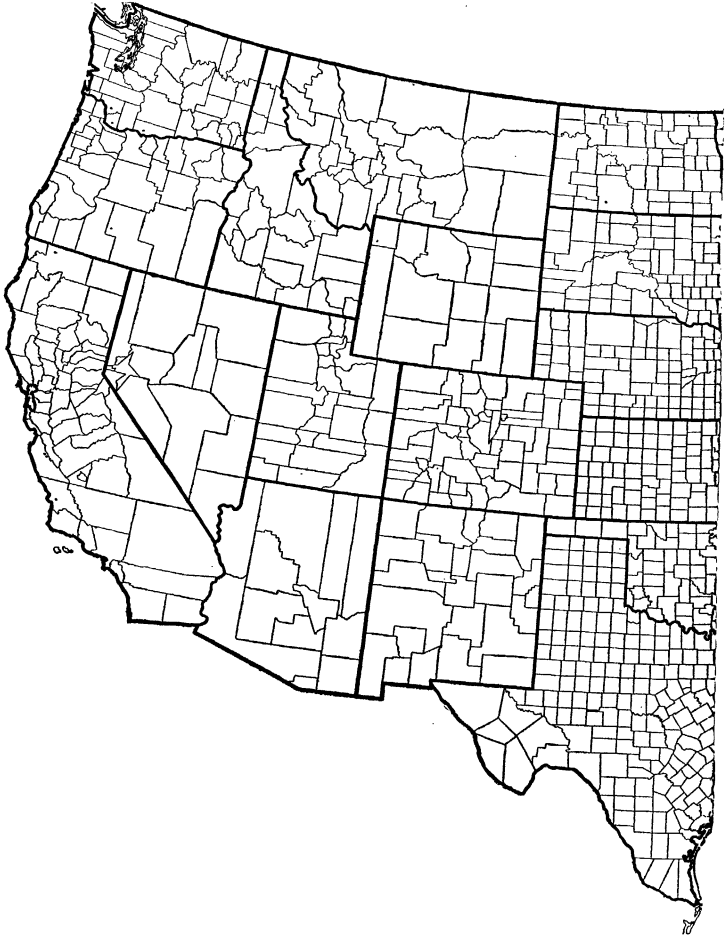


FIG. 14.—Cooperative cheese factories in the United States. Small dot=1 cheese factory; large dot=10 cheese factories.

California.....	3	Michigan.....	4	Missouri.....	2
Illinois.....	2	Minnesota.....	15	New York.....	34
Indiana.....	1				

in spirit when it is managed exclusively with a view to giving the farmer a better price for his butterfat or his grain, and not at all for the purpose of securing dividends on the

stock. If the stock is owned by farmers and if each share of stock is in practice limited to a normal rate of interest and all surplus earnings go to the farmers in the form of

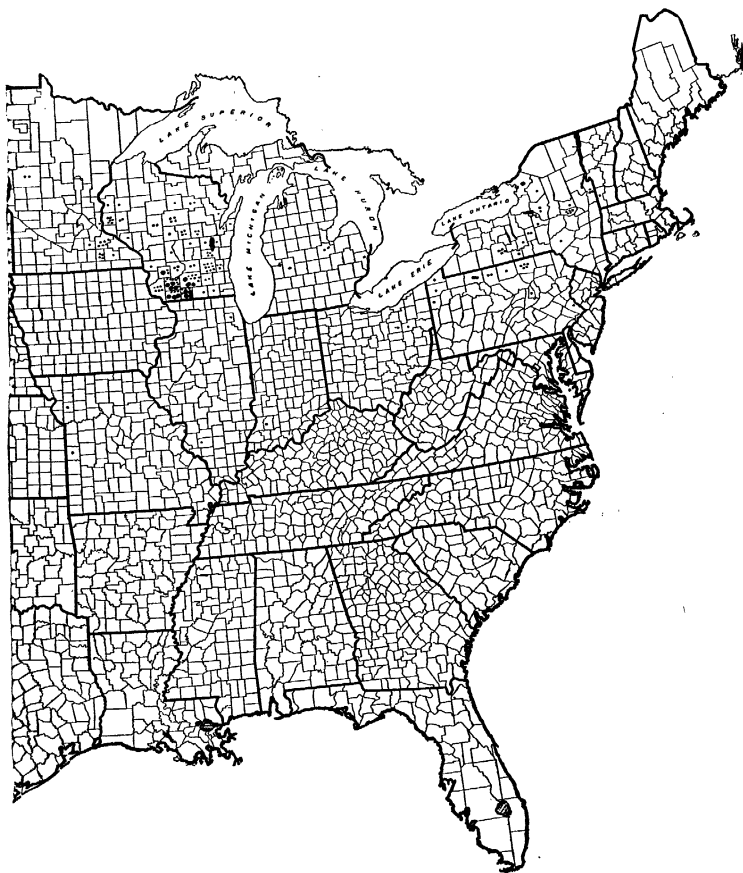


FIG. 14A.—Cooperative cheese factories in the United States. Small dot=1 cheese factory; large dot=10 cheese factories.

Ohio.....	2	South Dakota.....	1	Washington.....	3
Oregon.....	2	Utah.....	6	Wisconsin.....	247
Pennsylvania.....	13	Vermont.....	1	Total.....	336

better prices, the enterprise is cooperative in spirit, even though its form be that of the ordinary profit-making corporation.

However, it must in frankness be admitted that there is always danger, under the joint stock form of organization, that the cooperative spirit will be destroyed and the organization shifted to the profit-making purpose. In a creamery,

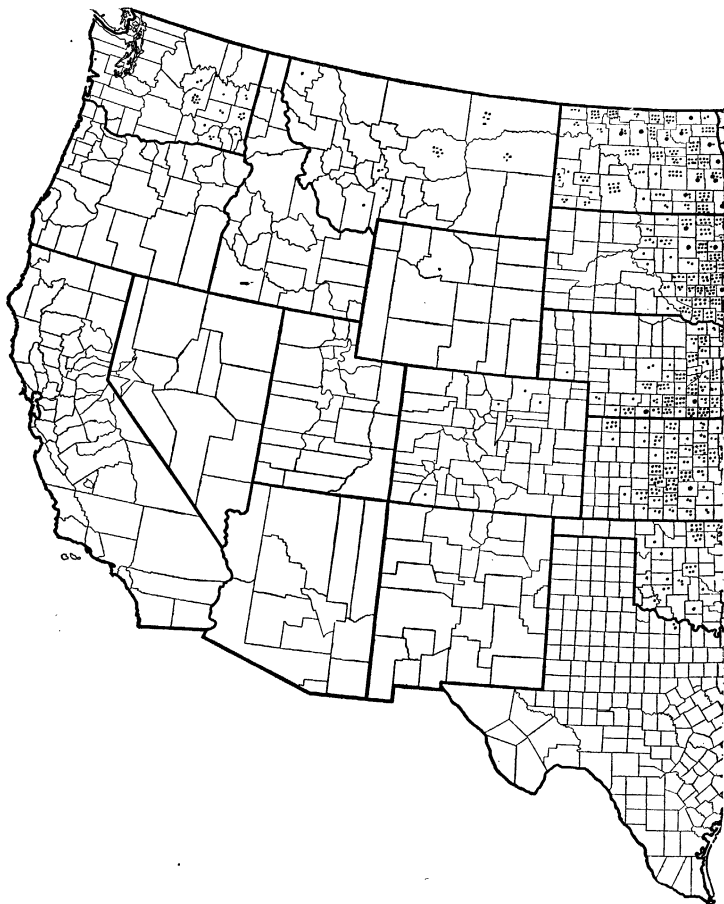


FIG. 15.—Farmers' cooperative elevators in the United States. Small dot=1 elevator; large dot=10 elevators.

Arkansas.....	2	Indiana.....	28	Michigan.....	22
Colorado.....	4	Iowa.....	332	Minnesota.....	286
Idaho.....	4	Kansas.....	149	Missouri.....	8
Illinois.....	260	Kentucky.....	1	Montana.....	25

for example, if one man owns a large number of shares and very few cows, or none at all, he will naturally be more interested in dividends than in the price of butterfat. If a majority of the shares are owned by such men, the company

is almost certain to be managed in the interest of dividends rather than in the interest of the price of butterfat. It is therefore highly desirable that the form of organization be such as to prevent this result and insure that the manage-

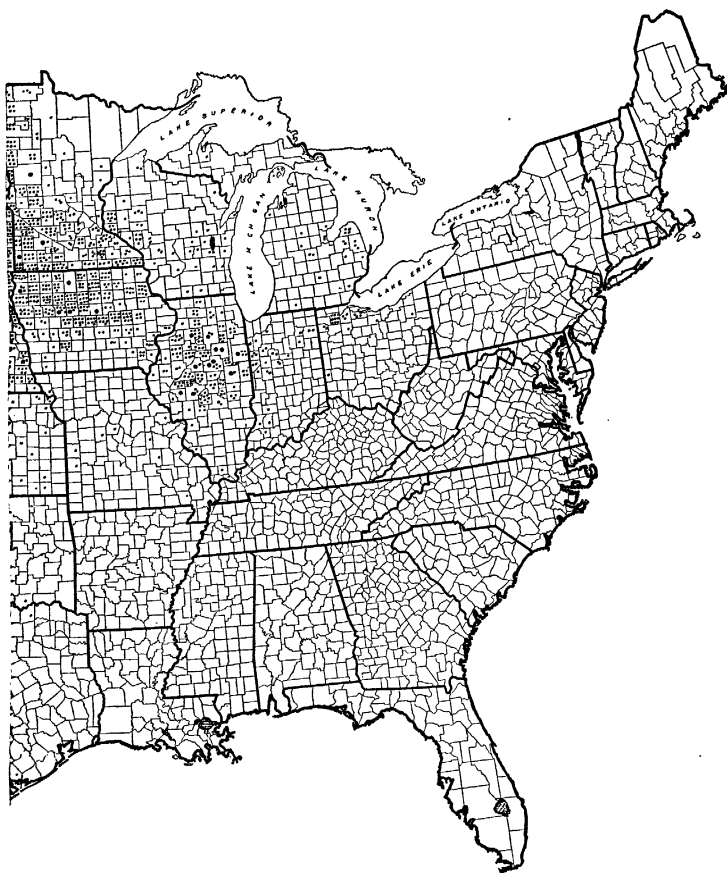


FIG. 15A.—Farmers' cooperative elevators in the United States. Small dot=1 elevator; large dot=10 elevators.

Nebraska.....	224	Oregon.....	3	Wisconsin.....	51
North Dakota.....	320	South Dakota.....	220		
Ohio.....	23	Texas.....	4	Total.....	2,020
Oklahoma.....	36	Washington.....	18		

ment shall always be in the interest of the producers. Nevertheless, so long as the management is in the interest of the producer, it is reasonable to list such an organization as cooperative.

A multitude of cow-testing associations, breeders' associations of various kinds, purchasing associations for securing

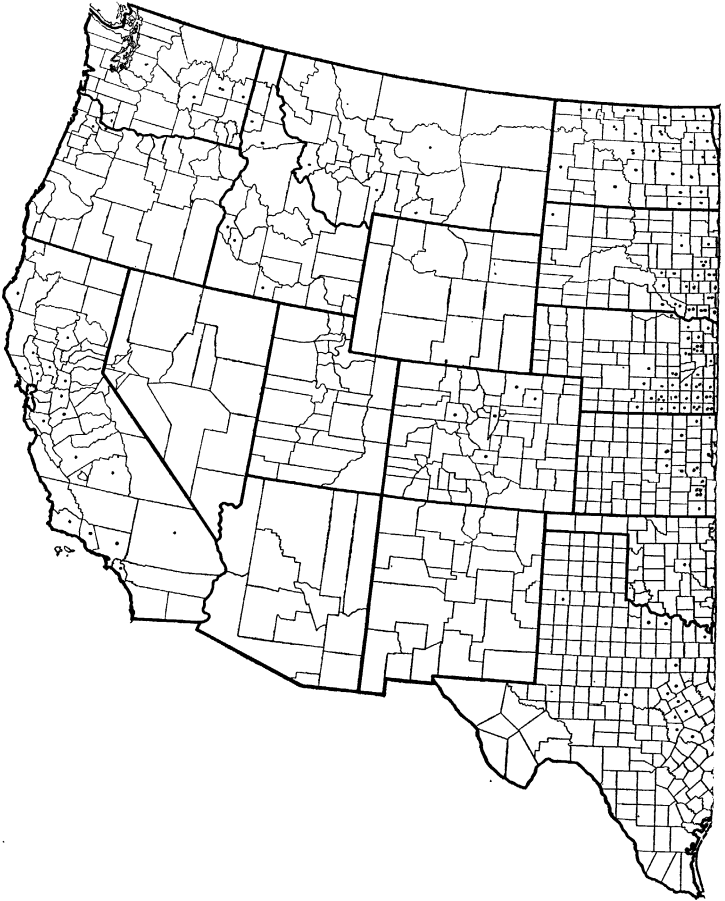


FIG. 16.—Farmers' mutual insurance companies in the United States. Small dot=1 company; large dot=10 companies.

Arkansas.....	7	Idaho.....	5	Maine.....	54
California.....	18	Illinois.....	230	Maryland.....	17
Colorado.....	5	Indiana.....	76	Michigan.....	77
Connecticut.....	14	Iowa.....	176	Minnesota.....	150
Delaware.....	8	Kansas.....	29	Montana.....	7
Georgia.....	7	Kentucky.....	25	Nebraska.....	66

better prices on fertilizers, seed, and feed stuffs, and cooperative stores dealing in general merchandise dot the entire country.

The large farmers' organizations, such as the Grange, the Farmers' Union, the American Society of Equity, and the

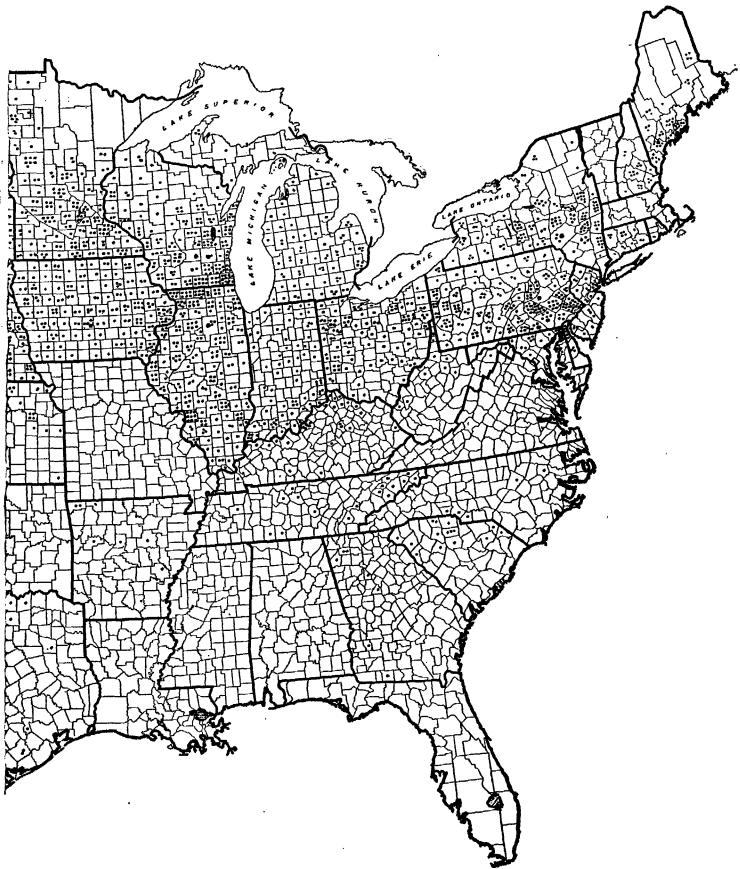


FIG. 16A.—Farmers' mutual insurance companies in the United States. Small dot=1 company; large dot=10 companies.

New Hampshire.....	19	Oregon.....	3	Texas.....	25
New Jersey.....	23	Pennsylvania.....	237	Washington.....	6
New York.....	163	Rhode Island.....	1	West Virginia.....	11
North Dakota.....	33	South Carolina.....	19	Wisconsin.....	203
Ohio.....	102	South Dakota.....	33		
Oklahoma.....	1	Tennessee.....	17	Total.....	1,867

Gleaners, are also, in many localities, transacting business for the individual farmer. Cooperative warehouses, under the Farmers' Union, are doing business aggregating tens of millions of dollars annually.

NEED OF A PERMANENT BODY TO GIVE CONSISTENCY TO THE MOVEMENT.

It is not too much to suggest again that it is of the utmost importance that all these scattered movements should be brought together and the work systematized in order that the number of failures may be diminished and the number of successes be increased. It is doubtful if any single agency can do this satisfactorily, but the Rural Organization Service of the Department of Agriculture may easily become one of the most effective agencies for bringing about this result.

NEW BASES OF RURAL ORGANIZATION.

MARKETS.

One of the first tasks of such an agency must be to formulate the general principles which must control all successful organizations, and also to find a satisfactory basis upon which to build a comprehensive organization of rural life to take the place of the old basis that has been swept away by general reorganization of the economic world. During this age of mechanical inventions it will never again be possible to build a rural community on the self-sufficing basis on which the farmers produce for their own local market and get the most of their supplies from the local handicrafts. Each farming community is a part of a world market and the bulk of its produce must be shipped out and the bulk of its articles of consumption shipped in. This must be taken as a fundamental fact in all schemes for a new rural organization. Therefore it would seem that the reason for the existence of a rural organization must be found, in part at least, in the necessity for the successful marketing of products on the one hand and the successful purchasing of supplies on the other.

CAPITAL.

Another large and fundamental fact in the modern economic world, also growing out of the mechanical inventions which characterize it, is the demand for increased capital in all successful agricultural enterprises. In an age when farming was done with a few simple tools, the most of which could be made by the farmer himself during his spare time, the demand for capital could be ignored. But at the present time one of the paramount needs of agriculture is an adequate supply of expensive tools or capital. In order that the

average farmer may properly equip himself, it is necessary that he be put in possession of purchasing power. This can only be secured through his own savings or through the savings of others from whom he can borrow. This means the development of credit facilities.

SANITATION.

In an age when sickness was regarded as a visitation of Providence from which there was no reasonable means of escape, the problem of sanitation was unknown. Such a thing as an organization for rural sanitation would have been unthinkable, for the reason that, knowing little or nothing about the sources of disease, such an organization would not have known what to do with itself. But now that medical science has put us into possession of certain large and definite facts regarding the prevention of some of the more common diseases, the problem of protecting the health of rural communities is becoming practical. We are in a position to combat certain diseases if we are ready to go about it in the right way. Our great lack now is not so much the lack of knowledge as the lack of organization for applying our knowledge. It is quite as possible for us to exterminate certain disease germs as it was for our ancestors to exterminate the wolves and bears which preyed upon them and their flocks. When we awaken to the situation we shall find here an overwhelming need as great as that which existed on the frontier to force us into an organization for the protection of country life.

Thus the organization of the community so as to function more effectively in the world market may furnish a substitute for the local self-sufficing market of an earlier period; the organization of the community may supply the need for capital, which was an unknown need before the age of machinery, and organization for the purpose of fighting the invisible enemies known as disease germs may take the place of the older organizations to fight the visible enemies of the frontier.

METHOD OF PROCEDURE.

It will occur at once to any thoughtful student that the first task in the general reorganization of country life must be to learn the facts as they exist at the present time. This necessitates a better survey of the entire field of American

country life for the purpose of finding out what types of organization are now succeeding, and why; and what types have failed and are failing, and why; what special needs exist for which there are no effective organizations, and where these needs are greatest. A preliminary study of credit conditions has already shown that the farmers of different sections of the country are very unevenly provided with credit facilities, some sections having excellent, others very poor ones. The reasons for this variation need to be carefully studied before any satisfactory solution can be suggested. Until such a survey can be completed, not only with respect to rural credits, but also with respect to farmers' organizations of all kinds, very little advice can be given except in the most general terms.

PRINCIPLES TO BE OBSERVED

The following suggestions are made as a general guide for organizers in different fields of endeavor:

IN COOPERATION.

There is no magic about cooperation. If, as the result of cooperation, farmers are led to improve their business methods, it will succeed; otherwise it will fail. These improvements in their business methods should include the following points:

(1) Accounting and bookkeeping. No cooperative organization of any kind can hope to succeed, nor would it deserve to succeed, unless it kept its books accurately and completely. Correct accounting is the key to all successful administration, public or private, cooperative or individualistic.

(2) Auditing. No one with any feeling of responsibility will undertake to advise a cooperative society or stand in any way responsible for its affairs, unless that society will submit its books annually for a thorough auditing by a competent and reliable auditing company.

(3) Motive. It must be prompted by a constructive desire for well-understood economies and not by rancor, or jealousy, or covetousness, or any other destructive sentiment. One of the most frequent causes of failure in cooperative enterprises is the fact that the whole enterprise was started out of something very closely resembling spite, or the fear that somebody might be making something in the way of

profit. If a storekeeper or anyone else is making a profit by reason of the efficiency with which he runs his business or serves his customers, he is entitled to it, and any cooperative society which is started merely for the purpose of keeping him from making that profit is doomed to fail. If, however, there are clearly perceived wastes occurring, due to inefficiency, bad management, or the taking of excessive profits, and a cooperative society is formed for the constructive purpose of eliminating those wastes through better management, the society will have the first requisite of success, namely, the fact that it deserves to succeed.

IN MARKETING.

The general subject of marketing is provided for under the capable management of the Office of Markets of the Department of Agriculture. Inasmuch, however, as the subject of organization is very closely associated with the subject of markets, and the Rural Organization Service and the Office of Markets are working in the closest cooperation, it is not out of place to suggest here a few of the main conditions of successful marketing. They are:

(1) The improvement of the product. This ought to be one of the first results of cooperation. A group of farmers, all interested in growing the same product, by meeting frequently and discussing the problems connected with the growing of that product, will normally educate one another and thus improve their methods of production.

(2) The standardization of the product through organized production. Standardization follows naturally and easily if the cooperators are wise enough to see its importance. Not only must the product be a good product, but it must be graded according to the tastes or desires of the consumers or ultimate purchasers. If the producers insist on throwing an unstandardized, nondescript product upon the market, the consumers, each one of whom wants a small and simple parcel, and wants that to be of a certain kind and quality, will never buy of the producers. Some one, then, must intervene to do the grading and standardizing. But if the producers will grade their products and pack them the way the consumers want them, they will be able either to sell directly to the consumer or so to reduce the toll charged by the middleman as to enlarge their own profits.

(3) Branding. An excellent product, graded and standardized, must then be so branded or trade-marked as to enable the consumer to identify it or to recognize it when he sees it. That is really all there is to the stamp on a coin. It adds nothing to the intrinsic value of the metal, but it makes it circulate. Without such a stamp, each individual would have to weigh and test a piece of metal which was offered him, and the circulation or salability of the metal would be greatly restricted; but a stamp upon it, which the average receiver recognizes at once and in which he has confidence, makes him instantly willing to accept it. This may be an extreme case, but it does not differ in principle from the stamping of any other salable piece of material. A private stamp is quite as good as a Government stamp *if* people have as much confidence in it as they have in a Government stamp and if it is as reliable and as uniform. Private coins have circulated many times in the past. However, without taking such an extreme case as the coinage of metal except by way of illustration, it will not take much argument to convince the average person that if a box of apples bearing a certain stamp or trade-mark gets to be known as reliable and good all the way through, the producer or the producing association whose stamp has thus gained confidence will be able to sell where unstamped products equally good will fail altogether.

(4) Education of the consumer. The consumer must be educated as to the meaning of a stamp or trade-mark on goods which are excellent in themselves and uniform in quality.

Let these four things be done and the problem of marketing will become fairly simple. But it must be remembered that these four things can be done only by organization.

IN PURCHASING SUPPLIES.

Much complaint is heard from farmers and farmers' associations regarding the unwillingness of manufacturers to sell directly to them and eliminate agents' profits. There is doubtless some ground for this complaint, in many cases at least. Where this unwillingness is arbitrary and without reason, the farmers, through their organizations, must try by every legitimate means, both legislative and nonlegislative, to overcome it. But he is no friend to the farmer who

does not tell him the disagreeable truth that he is himself sometimes to blame for this situation. Not being trained in commercial practices, the farmer, or the farmers' organization, is sometimes unprepared to handle the business of buying in a businesslike way. The manufacturer will then prefer to sell through an agent or a regular dealer who is accustomed to handling business promptly and who does not need to be shown how. Again, farmers' organizations are not always prompt in paying bills. Where this is the case the manufacturer can not be blamed for preferring to sell through a regular dealer in whom he has confidence. Another and more serious complaint on the part of the manufacturer is that farmers' organizations frequently lack a keen sense of business obligation. They will order a carload of goods, for example, at a given price. Before the goods can be delivered, someone else offers to supply the farmer at a slightly lower price. In spite of the fact that their previous order is a virtual contract, they take the lower bid and refuse to take the goods delivered on the previous order when they arrive. Naturally this does not please the manufacturer who filled the order in good faith. He can not be blamed for being unwilling to fill similar orders thereafter. Possibly he ought to discriminate between such irresponsible farmers' organizations as this and others which have a true sense of business responsibility; but all men are prone to generalize. The way to cure this situation is for farmers who have business training and a sense of business responsibility to lend their aid in eliminating irresponsible organizations from the field. Otherwise they will suffer from the company they keep.

IN SECURING CREDIT.

There is no mystery about credit. It is simply a means by which the possessor of purchasing power, which he does not care to use at once, is enabled to transfer that purchasing power to some one who does not possess it but who needs it at once in his business. Again, the possession of credit on the part of the farmer does not insure his success. When wisely used, credit is a powerful agency for good: so is dynamite. When unwisely used, or handled by one who does not understand it, it is dangerous: so is dynamite.

Speaking by and large of facts as they actually are at the present moment, it is probable that as many farmers are suffering because they have too much credit as because their credit opportunities are too limited. To be able to borrow a thousand dollars even at the lowest possible rate of interest, say 2 per cent, is a loss to a man who invests it in a way to only bring back \$1,001. The only possible advantage of having credit is to have an investment which is reasonably certain to return not only the principal but the interest and a little more besides.

Much has been said about the cooperative credit organizations of other countries. One fact which has never been sufficiently emphasized, and which can not be too much emphasized, is that these cooperative credit societies refuse credit quite as often as they give it, and they refuse credit not simply on the ground that the would-be borrower has no security to give, but equally on the ground that they do not think it would pay him to borrow. That is, he has no investment which, in the opinion of the directors, will be profitable to him. If his investment is unprofitable, the chances are that he will be unable to pay back a loan, and thus it would be unsafe. And, what is more important, even if he were able to pay it back, he would be poorer instead of richer by reason of the loan. The fact that the directors of one of these cooperative banks have to discuss the purpose for which the borrower wishes to borrow, and to decide whether or not it will probably turn out to be a good investment for the borrower, not only protects the borrower against himself but educates all the members of the society. That is to say, it compels them to discuss very carefully the probable results of all the classes of small investments, and this discussion itself is one of the most valuable kinds of business education.