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**CONSUMERS',  
CREDIT, AND PRODUCTIVE  
COOPERATIVE SOCIETIES**

**1929**



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# BULLETIN OF THE U. S. BUREAU OF LABOR STATISTICS

NO. 531

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FEBRUARY, 1931

## CONSUMERS', CREDIT, AND PRODUCTIVE COOPERATIVE SOCIETIES IN 1929

### Chapter I.—Summary

THE bureau presents herewith the results of its third general study of the cooperative movement in the United States, previous studies having been made for the years 1920 and 1925.<sup>1</sup> The figures in this report generally cover the year 1929, but data were also obtained for the years intervening since the last previous study as regards amount of business, net profits, patronage dividends, and interest on share capital.

The societies include all types of cooperative effort except farmers' marketing associations.<sup>2</sup>

The reports received cover a total of 1,545 societies. While these form only 60 per cent of the 2,571 cooperative organizations known to be in existence, the reporting associations include practically all of the large societies. The reporting societies have a combined membership of 553,954 and employ nearly 5,000 workers in the cooperative enterprises. Paid-in share capital of \$34,446,864 was reported, and reserves aggregating \$7,339,272. The business done through the cooperative societies reporting to the Bureau of Labor Statistics for 1929 amounted to some \$142,000,000.

Based upon the reports received, the whole cooperative membership in the United States may be conservatively set at 750,000 and the amount of business done through these cooperative channels in 1929 at some \$225,000,000.

### Trend of Cooperative Development

THE Bureau of Labor Statistics has been an observer of the cooperative movement for more than 10 years, during which time many changes have taken place, some of which are noted below.

*Consumers' societies.*—During the latter years of the war period many consumers' societies were formed, a large part of which were short lived, due to inexperience, inability to meet the rapidly falling prices in 1920-21, and the general depression which followed. Since the immediate postwar period comparatively few store societies have

<sup>1</sup> Published as U. S. Bureau of Labor Statistics Buls. Nos. 313 and 437, respectively.

<sup>2</sup> For data on farmers' marketing associations see reports of the U. S. Department of Agriculture.

been formed. The societies already in existence have very generally found pretty hard sledding. Some have succumbed, while others have had to devote their energies to regaining the ground lost during the period 1920 to 1923. The whole period since 1920 has been accompanied by general economic and employment conditions which have made things difficult for cooperative as well as private business. The farmers' societies have suffered from the depressed condition of agriculture, while the industrial workers' societies have had to contend with the decreased purchasing power of the members due to employment conditions.

A few instances will serve to illustrate some of the conditions which the societies have had to meet. Thus, one society in a mining town lost about one-third of its membership when the mines shut down and, after a protracted period of unemployment, many of the members moved away in search of work. Another society—a miners' organization which had become one of the largest and most successful store societies in the United States—suffered because of the miners' strike and the long period of depression in the mining industry, during which time the unemployment and decreased purchasing power of the members so affected the cooperative business that its sales fell to little more than half of what they had been. Fortunately, during its prosperous years it had accumulated reserves of more than \$90,000, and these enabled the society to bear its losses. Employment in the mines has now improved and the society is again forging to the place it previously held among the cooperative societies of the country. The manager of another society, in a town in which the textile industry plays a large part, reports the loss of nearly half of the membership when the largest textile mill closed down and moved South. A third society whose sales have decreased steadily each year since 1925, attributes this to three factors: (1) The decline in prices, (2) unemployment among the railroad workers (who form the majority of the membership), with consequently decreased purchasing power, and (3) the competition of the chain stores. The mortality of the societies in the coal-mining regions has been heavy, due to lack of work for the members. Those, however, which have survived are beginning to show improved sales, due to better employment conditions in the mining industry.

Political factors have caused dissension in some cases, with a consequent loss of membership and business. Instances of discord over communism were reported as early as 1921, and in 1929 and the beginning of 1930 the situation became acute in some regions. The ultimate effect on the cooperative movement remains to be seen.

Decreasing membership is a disquieting factor disclosed by the reports of many consumers' societies. Of 225 societies concerning whose membership the bureau has data for both 1925 and 1929, the number having losses exceeded those having gains. Thus, 110 showed a loss, 103 a gain, and there was no change in 12. The gains made by the 103 societies exceeded the losses by the 110 societies, however, to such an extent that the membership of the whole group of 225 societies showed a 5.5 per cent increase between 1925 and 1929.

Share capital and reserves per society and per member have declined since 1925, the decline in reserves being due probably to the fact that it has been necessary to use them in order to tide the society over the period of hard times.

Figures for identical societies reporting for all 10 years, 1920 to 1929, show that average sales per society, which fell considerably from 1920 to 1921 and continued low in 1922, began to increase in 1923, and continued to rise, with slight fluctuations, up to 1928. A slight drop took place in 1929. Taking into consideration the retail prices during the period, average sales per society in 1928 were nearly twice what they were in 1920 (the year of highest prices) and in 1929 were 86 per cent higher than in 1920.

A slight improvement in the practice of cooperative principles is noted, except as regards the housing societies in which a definite retrograde movement is evident. The practice of credit sales continues to be very widespread and constitutes a real menace to the safety of the cooperative movement.

In general it may be said that while a considerable proportion of the societies are still in a precarious condition and living a hand-to-mouth existence, the majority of the societies which have been able to survive the difficult past 10-year period are the more stable societies, some of which present an enviable record of good management and steady progress under what must sometimes have seemed almost insuperable conditions.

The most rapidly expanding section of the consumers' movement at present is that of the cooperative oil associations (gasoline filling stations) which are having much success and are meeting increasing recognition as a means of substantial savings, especially in farming sections using motor-driven machinery.

Cooperative wholesaling is more than holding its own. The three consumers' wholesales which have been in existence during the whole 10-year period are showing expansion, and a new wholesale society has been formed and is doing well in the East. The first step toward such a wholesale has been taken in the Central States area, with the undertaking of joint buying of staple commodities by the local societies and the packing of quality goods under the cooperative label.

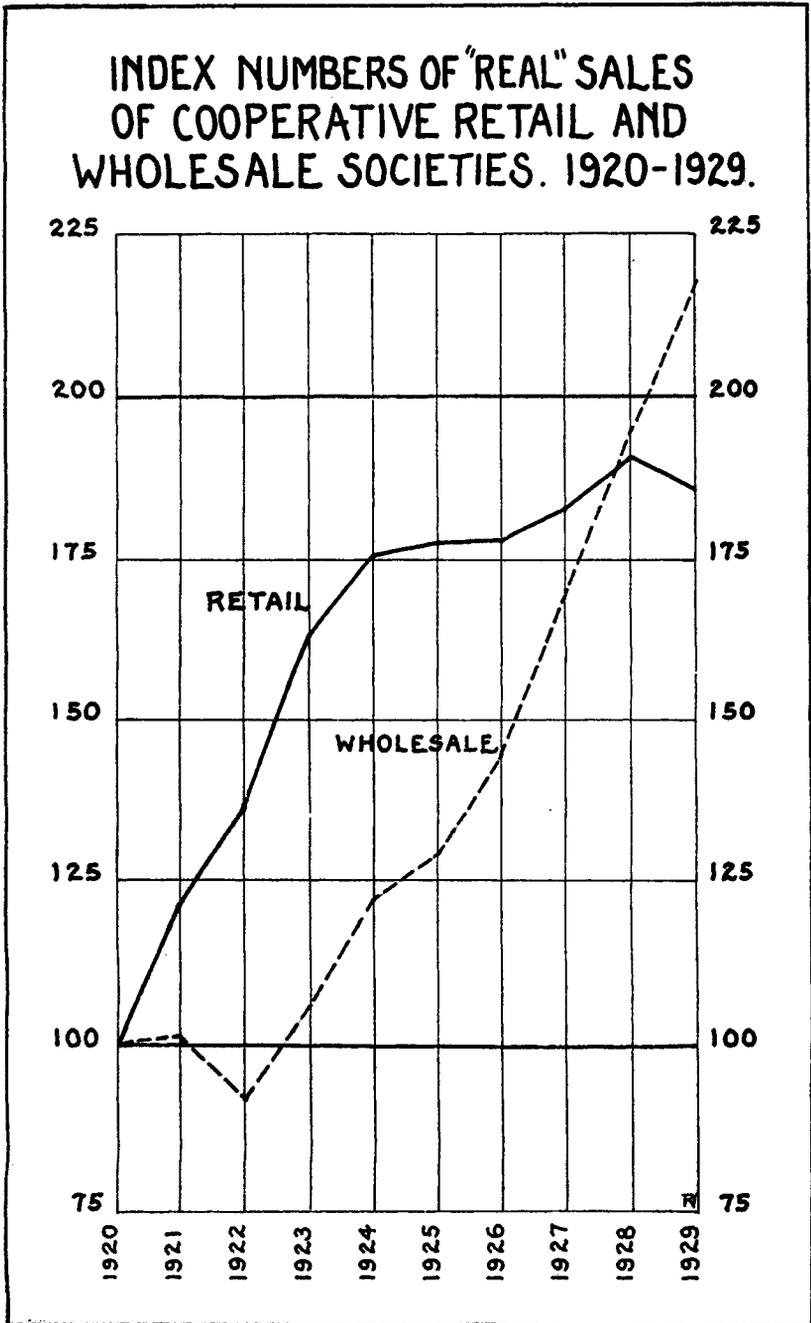
The average money sales of the wholesale societies which furnished reports for each year since 1920 show a marked increase in 1929 as compared to 1920, while if wholesale prices during the period are taken into consideration, the "real" sales in 1929 were more than twice those of 1920.

The course of the "real" sales of the cooperative retail and wholesale societies is shown on the chart on page 4.

*Credit unions.*—The credit unions continue to be the fastest growing of all the sections of the cooperative movement, and the most uniformly successful. Involuntary liquidations are very infrequent in this branch of the movement.

The averages per society of number of members, share capital, reserves, and deposits all show a decrease in 1929 as compared with 1925, but this is due to the inclusion of a very large number of new (and therefore small) societies, which brought down the average for the societies which had been established and were included in the 1925 study.

*Workers' productive societies.*—These represent what seems to be a diminishing phase of cooperative effort in this country, in point of numbers. Practically no new societies of this type are being formed,



as far as the knowledge of this bureau goes, while several of the societies covered in the 1925 report have gone out of business.

The societies which remain, however, show greater share capital per society and larger surplus and reserve funds than in 1925, while the sales per society have increased 47 per cent as compared with that year.

#### Summary Statistics for 1929

TABLE 1, which follows, shows summary data for the various types of societies in 1929. In order to round out the cooperative picture, similar data for certain types of organizations—mutual savings banks, labor banks, and building and loan associations—which are cooperative in some respects, are also given.

TABLE 1.—SUMMARY DATA SHOWING STATUS OF COOPERATIVE SOCIETIES OF SPECIFIED TYPES IN 1929

Type of society	Total number of societies	Number of societies reporting	Number of members	Number of employees	Share capital	Reserves	Amount of business, 1929	Net gain, 1929	Amount returned in patronage dividends	Interest paid on share capital	Value of goods manufactured
<i>Cooperative</i>											
Consumers' societies:											
Retail societies—											
Distributive departments of marketing associations.....	362	52	11,787	309	<sup>1</sup> \$1,043,885	\$324,402	\$10,058,195	\$159,673	\$33,051	\$31,296	\$238,073
Store societies.....	900	422	123,317	<sup>2</sup> 2,222	<sup>3</sup> 4,653,197	2,875,296	37,697,560	1,305,671	693,777	173,217	511,985
Gasoline filling stations.....	198	146	55,313	<sup>4</sup> 565	<sup>5</sup> 1,182,214	604,940	10,782,049	1,326,791	<sup>6</sup> 674,628	<sup>7</sup> 71,996	.....
Bakeries.....	14	8	2,743	133	52,260	69,198	965,915	16,105	459	431	.....
Creameries.....	2	2	4,864	435	944,975	291,076	3,434,527	132,931	.....	56,950	830,055
Restaurants.....	8	6	4,107	266	72,343	149,989	1,211,236	39,146	6,964	3,119	.....
Boarding houses.....	24	16	1,971	84	<sup>8</sup> 29,126	19,474	427,293	1,381	.....	76	.....
Laundries.....	3	2	266	26	9,090	.....	35,422	<sup>9</sup> 1,217	.....	502	.....
Funeral associations.....	5	2	( <sup>10</sup> )	6	( <sup>10</sup> )	10,000	53,172	.....	.....	.....	.....
Total retail societies.....	1,516	656	204,368	<sup>11</sup> 4,046	<sup>12</sup> 7,987,090	4,324,375	64,665,369	2,980,481	<sup>6</sup> 1,408,379	<sup>7</sup> 337,587	1,580,113
Wholesale societies, handling—											
Household supplies.....	6	6	<sup>13</sup> 351	132	483,312	135,308	10,371,583	297,111	225,500	26,864	101,156
Gasoline and motor oils.....	3	2	<sup>14</sup> 45	5	( <sup>10</sup> )	( <sup>10</sup> )	757,274	12,720	( <sup>14</sup> )	<sup>15</sup> 206	.....
Insurance societies.....	3	3	78,819	( <sup>10</sup> )	.....	( <sup>10</sup> )	<sup>16</sup> 8,371,060	( <sup>10</sup> )	.....	.....	.....
Housing societies.....	45	25	2,435	( <sup>10</sup> )	1,102,825	( <sup>10</sup> )	.....	.....	.....	.....	.....
Educational organizations—											
National.....	1	1	1,000	5	.....	.....	.....	.....	.....	.....	.....
Regional.....	3	3	1,019	7	.....	.....	.....	.....	.....	.....	.....
.....			<sup>13</sup> 140		.....	.....	.....	.....	.....	.....	.....
.....			<sup>13</sup> 140		.....	.....	.....	.....	.....	.....	.....
.....			<sup>13</sup> 140		.....	.....	.....	.....	.....	.....	.....
Total consumers' societies.....	1,577	696	<sup>17</sup> 287,641	<sup>11</sup> 4,195	<sup>13</sup> 9,573,227	4,459,683	84,165,286	3,290,312	<sup>6</sup> 1,634,379	<sup>7</sup> 364,657	1,681,269
Credit unions.....	974	838	264,908	( <sup>10</sup> )	24,065,407	2,079,450	<sup>13</sup> 54,048,353	( <sup>10</sup> )	.....	222,163	.....
Workers' productive societies.....	20	11	1,405	657	808,230	800,139	3,847,606	153,370	48,635	( <sup>10</sup> )	.....
Grand total.....	2,571	1,545	<sup>17</sup> 553,954	<sup>11</sup> 4,852	<sup>12</sup> 34,446,864	7,339,272	142,061,305	3,443,682	<sup>6</sup> 1,683,014	<sup>7</sup> 586,820	1,681,269

<i>Semicooperative</i>										
Mutual savings banks.....	611	611	<sup>19</sup> 11,748,085	( <sup>10</sup> )		( <sup>10</sup> )	<sup>20</sup> 9,001,599,000			( <sup>21</sup> )
Labor banks <sup>22</sup> .....	14	14		( <sup>10</sup> )	4,112,500	<sup>23</sup> 3,105,336	<sup>21</sup> 59,817,392	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )
Building and loan associations.....	12,342	12,342	12,111,209	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )
Total.....	12,967	12,967	23,859,294	( <sup>10</sup> )	4,112,500	<sup>21</sup> 3,105,336	<sup>0</sup> 9,061,416,392	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )

<sup>1</sup> Not including 3 nonstock associations.

<sup>2</sup> And 6 part-time employees.

<sup>3</sup> Not including 14 nonstock associations.

<sup>4</sup> And 1 part-time employee.

<sup>5</sup> Not including 2 nonstock associations.

<sup>6</sup> Not including 1 society which paid 5 per cent, 1 which paid 8 per cent, and 1 which paid 18 per cent but did not state amount.

<sup>7</sup> Not including 2 societies which paid 8 per cent but did not state amount.

<sup>8</sup> Not including 5 nonstock associations.

<sup>9</sup> Loss.

<sup>10</sup> No data.

<sup>11</sup> And 7 part-time employees.

<sup>12</sup> Not including 24 nonstock associations.

<sup>13</sup> Number of affiliated societies.

<sup>14</sup> One society paid a dividend at rate of 15 per cent of gross sales, but did not state amount; no data for the other society.

<sup>15</sup> Not including 1 society which paid 8 per cent but did not state amount.

<sup>16</sup> New policies written.

<sup>17</sup> Individuals; does not include the 682 societies affiliated to wholesales and educational bodies.

<sup>18</sup> Loans made during year.

<sup>19</sup> Number of depositors.

<sup>20</sup> Deposits.

<sup>21</sup> Average rate of interest ranges from 3 to 4¼ per cent; amount paid not reported

<sup>22</sup> Figures as of June 30, 1930.

<sup>23</sup> Surplus and undivided profits.

Table 2 shows the distribution of the societies reporting, by States. As it shows, the States of greatest cooperative development are Massachusetts, Minnesota, and New York.

TABLE 2.—NUMBER OF COOPERATIVE SOCIETIES FURNISHING REPORTS, 1929, BY STATES

State	Consumers' societies	Credit societies	Workers' productive societies	Total	State	Consumers' societies	Credit societies	Workers' productive societies	Total
Alaska	1			1	New Hampshire	4	2		6
Alabama		23		23	New Jersey	6	7		13
Arizona	1	1		2	New Mexico	1			1
Arkansas	6	1		7	New York	43	125		173
California	6	16		22	North Carolina	2	21		23
Colorado	4	1		5	North Dakota	14			14
Connecticut	5	1		6	Ohio	14	2	1	17
District of Columbia	2	1		3	Oklahoma	5			5
Florida		1		1	Oregon	4	3	2	9
Georgia		39		39	Pennsylvania	13	1		14
Idaho	3			3	Rhode Island	3	9		12
Illinois	44	32		76	South Carolina		1		1
Indiana	3	19	1	23	South Dakota	16			16
Iowa	36	36		72	Tennessee	2	12		14
Kansas	41	9		50	Texas	7	4		11
Kentucky	4	8		12	Utah		4		4
Louisiana		5		5	Vermont	1			1
Maine	15	1		16	Virginia	8	18		26
Maryland	2	3		5	Washington	24	6	5	35
Massachusetts	24	299	1	324	West Virginia	3	6		9
Michigan	41	20		61	Wisconsin	49	9		58
Minnesota	132	43		175	Wyoming	3			3
Missouri	25	43	1	69					
Montana	2	1		3					
Nebraska	68	5		73	Total	692	838	11	1,541

## Chapter II.—Consumers' Societies

### Retail Societies <sup>1</sup>

**T**HE present section covers 656 cooperative societies—604 consumers' distributive or service associations and the store departments of 52 cooperative marketing associations. As the housing and insurance societies do not readily lend themselves to the same tabulation as the store and service societies they have been treated in a separate section.

The data obtained show that the societies reporting operate 845 establishments of various kinds and employ 4,046 full-time workers.

The combined membership at the end of 1929 was 204,368, of which 60 per cent belonged to the store societies and some 27 per cent to the cooperative oil associations. About 70 per cent of the whole number of societies and 60 per cent of the membership are found in the North Central States. The data show that there are 34 societies in the United States having 1,000 members or more and 14 which have 2,000 or more.

The consumers' societies have an aggregate capital stock of \$7,987,090 and reserves of \$4,324,375. Their business for 1929 amounted to \$64,665,369, on which they realized net earnings of \$2,980,481. Patronage dividends and interest on the members' share capital, for 1929, amounted to \$1,746,466; and for the four years covered by the bureau's study (1926-1929) to \$5,102,504.

#### Characteristics of Consumers' Societies

**T**HE consumers' society in its organization varies little from country to country. The following fundamentals laid down by the Rochdale weavers have been adopted as guiding principles wherever the movement has spread.

1. *Unrestricted membership, with capital shares of low denomination which may be paid for in installments.* This is an important feature. Since the cooperative movement is above all a movement of the working classes, it is essential that the financial undertaking be made easy and within the workingman's means.

2. *Limitation of the number of shares to be held by any one member.* Members of means are not excluded, but in order that democracy may prevail, it is well that there should be no wide inequality in the members' financial standing in the society.

3. *Democracy in government, with officers elected by and responsible to the members, and each member entitled to one vote only, irrespective of the number of shares he holds.* This feature immediately eliminates any tendency toward control of the society by the more well-to-do members, as in the stock company.

4. *Sale of goods at prevailing market prices.* This is done for two reasons: Under the "cost-plus" system—sale at cost, plus a small percentage estimated as sufficient to cover expense of management, handling, etc.—it is next to impossible to foretell accurately what

<sup>1</sup> The Bureau wishes to acknowledge with gratitude the valuable service rendered by Mr. Eskel Ronn, manager of the Cooperative Central Exchange, Superior, Wis., in obtaining data from a number of societies.

the expense will be, and miscalculation leads to the failure of the store, since there is in the very nature of the plan no reserve to fall back on. Again, price cutting at once attracts the attention and arouses the hostility of the private dealer; it is also unnecessary, since the purpose of price cutting can be accomplished through the return of the patronage dividend.

5. *Cash sales to avoid the loss attendant upon the extension of credit and to enable the society to make the best use of its capital.*

6. *Return of dividends to each member, not on the stock held, but in proportion to the amount of his patronage with the store.* The dividend is the member's share of the savings or "profits," that is, of the sum remaining after the deduction from the trading surplus of the amounts to be set aside for educational purposes, reserve, and depreciation fund. The dividend is computed not upon the share capital but upon the total sales, and is distributed in accordance with the amount purchased by each member. It is evident that the member's patronage, not the money he has invested in the store, determines the amount he receives in dividend. This feature is peculiar to the cooperative movement.

### Types of Societies Included in Study

REPORTS were received from 52 associations whose principal business is the marketing of the members' crops; in addition to the marketing business, however, these associations have a store department which supplies the members with groceries, work clothing, general farm supplies, etc. There are many farmers' marketing organizations which have a retail department dealing exclusively in supplies used for the business (i. e., production) of the farm. Such goods can not, however, be considered as consumers' goods, and organizations dealing only in supplies used for the business of the farm were therefore excluded. The present study covers only organizations which handle consumers' goods (groceries, clothing, house furnishings, general merchandise, etc.). In the case of the distributive departments of the farmers' marketing associations, the figures relate in all cases only to the retail, not the marketing, business.

The other societies were classified according to their main business activity. Thus, an organization which operates one or more general stores may also operate a bakery, but if the merchandise business is the principal line, the society is here classed with the general stores; notations are made, however, where several lines of activity are carried on.

As the following table shows, the 422 store societies operate 506 stores and 38 other establishments. Altogether the 656 associations covered in the table run 561 stores, 198 gasoline stations, 20 bakeries, 17 boarding houses, 13 restaurants or cafeterias, 4 food shops, 8 dairies or milk-distributing plants, 3 laundries, 3 feed mills, 1 tailor shop, 2 coffee roasteries, 1 dance hall, 2 pool or billiard parlors, 1 plant for smoked meats, 1 tea room, 1 public dock, 3 fuel yards, 1 cheese factory, 1 establishment for cleaning beans, 1 blacksmith shop and garage for repairing automobiles, 1 steam bath, and 2 funeral parlors.

TABLE 3.—LINES OF BUSINESS OF CONSUMERS' COOPERATIVE SOCIETIES, AND NUMBER OF WORKERS EMPLOYED

Type of society	Number of societies reporting	Establishments operated in main line of business	Other establishments	Employees	
				Number of societies reporting	Number
Distributive departments of marketing associations..	52	153	-----	51	309
Retail store societies dealing in—					
General merchandise.....	299	345	13	290	1,351
Groceries.....	60	59	5	55	198
Groceries and meat.....	48	81	18	47	479
Dry goods.....	1	1	-----	1	1
Coal.....	2	2	-----	2	5
Students' supplies.....	12	18	2	12	188
Total.....	422	506	38	407	2,222
Gasoline filling stations.....	146	198	-----	111	565
Bakeries.....	8	8	2	8	133
Creameries.....	2	3	-----	2	435
Restaurants.....	6	11	6	6	266
Boarding houses.....	16	16	-----	16	84
Laundries.....	2	2	-----	2	26
Funeral associations.....	2	2	-----	2	6
Grand total.....	656	799	46	605	4,046

<sup>1</sup> Stores operated; 15 of these societies, in addition to merchandise, sell coal and 5 gasoline.

<sup>2</sup> In addition to general merchandise, 17 societies also handle coal, 11 handle gasoline, 3 operate bakeries, 1 runs a boarding house, 1 distributes milk, 2 do trucking, and 38 do some marketing for members.

<sup>3</sup> And 3 part-time employees.

<sup>4</sup> In addition to groceries, 5 societies handle coal, 5 handle gasoline, 2 operate bakeries, 1 runs a laundry, and 3 do some marketing for members.

<sup>5</sup> In addition to groceries and meat, 1 society handles coal, 1 gasoline, 5 operate bakeries, 2 operate restaurants, and 4 distribute milk.

<sup>6</sup> And 6 part-time employees.

<sup>7</sup> In addition to gasoline and motor oils, 3 societies handle coal and 1 handles farm machinery.

<sup>8</sup> And 1 part-time employee.

<sup>9</sup> And 7 part-time employees.

In addition to the usual lines of goods handled by the store societies, 6 associations carry athletic goods, 4 jewelry, 1 certain lines of drugs, 11 clothing (3 men's clothing only and 1 work clothing only), 25 shoes, 4 furniture and house furnishings, 1 victrolas, 2 radios, 10 feed, 7 fertilizer, 22 farm machinery or implements, 5 general farm supplies, 32 hardware, 5 building materials, 2 paints, 1 ice, 1 electricity, 2 automobile tires, and 2 automobile parts. Forty-one societies also do some marketing of members' produce (cream, eggs, potatoes, forest products, etc.) as a side line to the store business. Of the store departments of the farmers' marketing associations, 2 also handle work clothing, 2 shoes, 1 radios, 1 building materials, 4 feed, 4 farm implements or machinery, and 1 general farm supplies.

In some instances the cooperative group has branched out into several lines of activity. Thus, one society has five stores, a bakery, a coal yard, a milk-distributing plant, and a coffee-roasting establishment. Another society which has a general store also has a gasoline station and a fuel yard. A third has three grocery and meat stores, a dairy, and a bakery, and has recently started the manufacture of ice cream. A society in New York has six stores, a restaurant, a bakery, and a billiard parlor. A New England society which operates two grocery stores and meat markets, also sells milk, coal, paint, and furniture, and runs a coffee-roasting plant, a bakery, and a restaurant and delicatessen store. Other societies

have preferred to expand their activities in a single line, as, for instance, one Michigan society which has nine grocery and meat stores and a bakery; an Ohio society which has seven grocery and meat stores and smokes its own meats; and a New York society with eight stores and a dairy.

At the end of 1929 two consumers' associations each had a credit union whose membership was drawn from the members and employees of the cooperative society.<sup>2</sup> Since the beginning of 1930 a credit society has been formed in a third association.

The part that a cooperative association can play in the life of the community is well described in an article which appeared in the March, 1928, issue of *Cooperation* (New York), relating to the Rock Cooperative Co., Rock, Mich.:

A cooperative society can do wonderful things in a small town. The one in Rock, Mich., proves it. Here is a cooperative so completely supported by its farmer members that it can do for them almost everything that the private merchant, the law court or the bank tries to do in the average community where those institutions flourish. The Rock Cooperative Co., in addition to all its ordinary business dealings with its consumer members, will get the doctor for the family when a new baby is expected; perform the marriage ceremony for the same child twenty years later (the manager is a justice of the peace); organize the forest gang and buy the timber land by means of which the man makes his living; and when old age has laid its heavy hand upon the worn-out worker, forcing him back into bed, again call the doctor, later bring to the house the coffin, and see that the erstwhile cooperator is given a decent burial.

Rock is a small farming community of about 1,000 souls. Three-quarters of the families are Finnish. There are only two merchants in the town, the cooperative (to which almost every family belongs) and one Swedish competitor. More than one-half of all the business transacted goes through the books of the cooperative company.

There are 375 member-shareholders,<sup>3</sup> which means an average of more than one per family. Not only does the organization own a very substantial part of the vacant land in the center of the village; it owns nine buildings as well: The central store, the warehouse next door (over which is a dwelling), a barn, a bath house, another warehouse, a cheese factory (operated by private capital), a new warehouse for feed, the post office building, and two dwelling houses (one of them newly built, of stucco).

Groceries, clothing, household utensils, hardware, feed, farm machinery, the equipment and raw materials with which farmers work—these may be found in most well-stocked country stores. The Rock Co. also runs a gasoline station and even buys new cars for the farmers who can afford such expensive contraptions. It rents out several of its buildings and realizes a substantial income from this source. It buys eggs and cream from the farmers and markets them in other cities farther south. It takes savings deposits from its members and writes checks for those who want to send money away; thus acting as a banking house for people who have no access to a bank. The manager, in his capacity of justice of the peace, writes deeds, executes other legal business, settles local disagreements.

Perhaps the most unusual and interesting service rendered by this all-purpose institution is that of organizing and operating its "forest products" department. Several years ago the leaders of the association noted that farming was not in a sufficiently prosperous condition really to support these people adequately. Was there not some other industry which could be developed? What other natural resources ready for exploitation were there, anyway? Timber.

For the past 13 years the sale of forest products has been a regular source of income for the cooperative, and a regular source of employment for very many of the men. The society employs an expert timberman, Oscar Niemi, who works with the gangs of cutters. When a gang has found a tract of land it wants to purchase, it comes to the cooperative. Oscar Niemi is sent out to look the tract over, appraise it, bring his figures back to the cooperative. If all goes well, the

<sup>2</sup> Data for these are included in the report on credit societies, p. 54.

<sup>3</sup> 422 at the end of 1929.

company negotiates with the owners in behalf of the men, perhaps even takes title to the land itself. Niemi is put in charge of the camp and its operation. Only the very best of equipment is used in these camps; the men have not only good blankets, but even linen on their beds, the finest of food—in short, such accommodations that the average woodsman in other parts of the State will not believe that these conditions are possible for gangs working in the timber. The wood itself, when hauled out, is sold for the men by the cooperative on a commission basis. Thus are the farmers in and about Rock, Mich., able to farm the forest land which lies all about them.

In another small place, with about 8,000 people, there are three cooperative societies—one large organization and two small ones—with a combined membership of about 775, or about one cooperator to every 90 inhabitants. On the basis of the family of five, this means that nearly half of the population is supplied through cooperative channels. The largest of the societies carries groceries, meat, coal, paints, and furniture, and operates a bakery, a restaurant and delicatessen, and an ice-cream stand.

In another town, in a mining region with a population of about 15,000, the membership of the cooperative numbers 1,040.

### Membership

IN THE formation of a credit society it is desirable that the members know each other and therefore the degree of dependability of each. This is necessary for the financial stability of the society, since a large part of the business of every credit union is in "character" loans, i. e., loans with only the personal integrity of the borrower as "security." For this reason, therefore, limitations are quite commonly set by the credit union law of the State or by the by-laws of the society, restricting the membership to a certain definite group having some common bond of association, occupation, etc.

In the consumers' movement the aim is to reach as large a section of the community as possible and limitations on membership are rather uncommon. There are, however, a few consumers' societies which do set some limitation on membership, as for instance, several societies whose membership is confined to railway workers. Another society is confined to the managers of the fraternities, sororities, and clubs of a certain university. In at least one instance the society is beginning to recognize that such membership restrictions place a definite limit upon the society's possibilities of expansion.

National groupings are far more common than occupational groupings, though usually they are the result not of a definite policy but rather of the natural tendency of persons of a given nationality to gravitate together. Thus, one finds in the cooperative movement societies composed entirely or almost entirely of Russians, Italians, Finns, or Czechoslovaks. The Finns of the United States have developed a group of societies which occupies an important position in the cooperative movement, as regards idealism coupled with financial success. The tendency, however, is to get away from this strictly nationality status and to try to appeal to all groups in the population of the community. Some societies have succeeded remarkably well in this aim. One such organization now has in membership such diverse nationalities as English, Finnish, Italian, and Scotch, and a scattering of French. Another, besides the native American members, includes Scandinavians, Slovenes, Italians, Poles, Austrians, and Finns.

At the end of 1929 the 609 societies which furnished membership data for the present study had more than 200,000 members. The store societies (which form the largest single group of societies) accounted for more than 60 per cent of this membership, but the gasoline filling stations which formed less than 20 per cent of the total number of societies accounted for 27 per cent of the membership. The creamery societies had the largest average membership, but this was due to the inclusion in this group of the society which is the largest cooperative distributive organization in the United States. The next largest average was that of the restaurants, but here again the average was raised decidedly by another very large society. The details are shown in Table 4:

TABLE 4.—MEMBERSHIP OF VARIOUS TYPES OF CONSUMERS' SOCIETIES AT END OF 1929

Type of society	Number of societies reporting	Members	
		Number	Average per society
Distributive departments of marketing associations.....	52	11,787	227
Retail store societies.....	407	123,317	303
Gasoline filling stations.....	118	55,313	469
Bakeries.....	7	2,743	392
Creameries.....	2	4,864	2,432
Restaurants.....	6	4,107	685
Boarding houses.....	15	1,971	131
Laundries.....	2	266	133
Total.....	609	204,368	336

One of the disturbing facts brought out by study of the membership data collected by the bureau has been the large number of societies which have suffered a decline in membership since 1925. A continuous influx of new blood is necessary in a cooperative organization if the society is to make progress and not "go to sleep on its feet." A number of societies, recognizing this fact, have held membership campaigns in which an organized attempt has been made to acquaint the public with the aims and benefits of the cooperative movement and to attract as many as possible to join the organization.<sup>4</sup>

An officer of one society recently stated that the membership of his organization has expanded so rapidly that the desirability is being considered of limiting the acceptance of new members until the society has been able to make real cooperators of those it now has. This society has had the policy of making purchase dividends to nonmembers apply on the purchase of shares in the organization, so that eventually the nonmember patron automatically becomes a shareholder in, and thus a member of the society. The result has evidently been such an influx of new members not at all imbued or so insufficiently imbued with the principles of cooperation that the society feels it must take steps toward their assimilation into the cooperative group.

It is evident that such a dividend policy might easily produce a situation dangerous to the well-being of the society. It must be remembered that each new member becomes at once the possessor of equal rights with every other member, and is entitled to a vote on every matter brought up before the society. A voluntary applicant

<sup>4</sup> The seventh congress of the Cooperative League, held in Superior, Wis., October 20-22, 1930, gave official recognition to the importance of such membership campaigns by designating October as the month which hereafter will be utilized for concerted action by all consumers to secure new members.

for membership in the cooperative body, who pays down the price of his share or shares of stock and his membership fee, may be presumed to be favorable to the cooperative idea or at least interested in it. To a nonmember patron, however, the cooperative store may be only a store, to which he gives his patronage because of the convenience of its location, the services it renders, the quality of goods, or any other of a dozen reasons none of which may be in the least connected with or indicative of an interest in cooperation as such. The admission of such persons, then, might even cause a reversal of cooperative to capitalist policies, if the noncooperative new members so vote and are in sufficient numbers to carry their point.

Too much emphasis can not be placed upon continuous and intensive educational work, and such educational work seems to be the only safe policy for societies admitting new members on the basis above described.

One of the important tasks of the cooperative society is to arouse the interest of the wives of members and those women who are shareholders in their own right. Regardless of the number of male shareholders, the cooperative store will be unable to make much progress if the wives do their trading elsewhere. The housewife being the person who makes the family purchases, it is vital that she be alive to the significance of the movement and not look upon the cooperative store as "just another store." A determined effort is being made in the Cooperative Central Exchange district to enlist the interest of the women, and to this end local women's guilds are being formed. Although this work started in 1929, most of the guilds have been formed since the beginning of 1930. Conferences have been held in the various localities and a central executive committee has been established. Some of the guilds have already taken part in organized membership drives, in arranging educational affairs and entertainments, and are becoming a real factor in the cooperative organization. At the end of 1930, 41 such guilds, with 718 members, were functioning in the Exchange territory.

While these women's guilds are a new development in the United States, the women's cooperative guilds are a recognized feature of the consumers' cooperative movements in the countries of Europe. The national guilds have an international organization whose purpose is to act as a liaison body and keep the national movements in touch with each other. Eventually the guilds of the United States will probably also affiliate with it.

In the Exchange district an attempt is also being made to interest the young people through the formation of local units of the Cooperative Youth League.

The data given in Table 4 are shown, by States and geographic divisions, in Table 5. It is seen that Massachusetts, Minnesota, Illinois, and New York, in the order named, are the most important States as regards cooperative membership of retail store societies; Minnesota, Illinois, and Iowa as regards membership of gasoline stations; and New York and Minnesota as regards restaurants and boarding houses. As regards total membership of consumers' societies, the leading States are Minnesota, Illinois, and Massachusetts. Seven States have more than 10,000 members each in consumers' cooperative societies. The North Central divisions together account for slightly more than 70 per cent of the societies and 60 per cent of the

total membership, the New England and Middle Atlantic States for about 15 per cent of the societies and 22 per cent of the membership.

TABLE 5.—MEMBERSHIP OF VARIOUS TYPES OF CONSUMERS' SOCIETIES AT END OF 1929, BY STATES AND GEOGRAPHIC DIVISIONS

State and geographic division	Store societies		Gasoline stations		Restaurants and boarding houses		Other societies		Total	
	Number reporting	Members	Number reporting	Members	Number reporting	Members	Number reporting	Members	Number reporting	Total
<i>State</i>										
Alaska.....	1	120							1	120
Arizona.....	1	2,000							1	2,000
Arkansas.....	5	538							5	538
California.....	5	8,549							5	8,549
Colorado.....	1	50	2	301			1	34	4	385
Connecticut.....	4	3,218					1	21	5	3,239
Idaho.....	3	327							3	327
Illinois.....	22	10,814	13	11,022	5	559	1	52	41	22,447
Indiana.....								73	2	131
Iowa.....	15	1,880	16	10,019	1	58	4	1,094	35	12,993
Kansas.....	26	3,458	3	378			9	2,729	38	6,565
Kentucky.....	4	738							4	738
Maine.....	15	3,127							15	3,127
Maryland.....	2	192							2	192
Massachusetts.....	17	16,599					5	1,431	22	18,030
Michigan.....	31	9,188			6	549	3	210	40	9,947
Minnesota.....	69	13,985	41	20,688	5	1,045	4	4,782	119	40,500
Missouri.....	14	2,208	2	406			6	697	22	3,311
Montana.....	1	200					1	450	2	710
Nebraska.....	23	2,652	26	7,807			5	491	54	11,050
New Hampshire.....	4	664							4	664
New Jersey.....	5	3,435							5	3,435
New Mexico.....			1	600					1	600
New York.....	17	10,338			1	3,255	2	1,312	20	14,905
North Carolina.....	2	135							2	135
North Dakota.....	12	1,207	2	470					14	1,677
Ohio.....	10	2,969			1	304	1	850	12	4,123
Oklahoma.....	2	156					3	771	5	927
Oregon.....	2	4,426					1	390	3	4,816
Pennsylvania.....	13	1,893							13	1,893
Rhode Island.....	3	344							3	344
South Dakota.....	10	849	2	1,044			3	849	15	2,742
Tennessee.....	2	170							2	170
Texas.....	5	2,316					2	593	7	2,909
Virginia.....	8	4,364							8	4,364
Washington.....	20	3,057					2	171	22	3,228
West Virginia.....	3	830							3	830
Wisconsin.....	29	5,762	10	2,478	2	308	7	2,493	48	11,041
Wyoming.....	1	499					1	167	2	666
<b>Total.....</b>	<b>407</b>	<b>123,317</b>	<b>118</b>	<b>55,313</b>	<b>21</b>	<b>6,078</b>	<b>63</b>	<b>19,660</b>	<b>609</b>	<b>204,368</b>
<i>Geographic division</i> <sup>1</sup>										
New England.....	43	23,952					6	1,452	49	25,404
Middle Atlantic.....	35	15,666			1	3,255	2	1,312	38	20,233
East North Central.....	92	28,733	23	13,500	15	1,778	13	3,678	143	47,689
West North Central.....	169	26,239	92	40,912	5	1,045	31	10,642	297	78,838
South Atlantic.....	15	5,521							15	5,521
East South Central.....	6	908							6	908
West South Central.....	12	3,010					5	1,364	17	4,374
Mountain.....	7	3,136	3	901			3	651	13	4,688
Pacific.....	27	16,032					3	561	30	16,593
<b>Total.....</b>	<b>406</b>	<b>123,197</b>	<b>118</b>	<b>55,313</b>	<b>21</b>	<b>6,078</b>	<b>63</b>	<b>19,660</b>	<b>608</b>	<b>204,248</b>
Alaska.....	1	120							1	120

<sup>1</sup> In all cases in this report, the census classification as to geographical districts has been used. This classification is as follows: New England division includes Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut. Middle Atlantic division includes New York, New Jersey, and Pennsylvania. East North Central division includes Ohio, Indiana, Illinois, Michigan, and Wisconsin. West North Central division includes Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas. South Atlantic division includes Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida. East South Central division includes Kentucky, Tennessee, Alabama, and Mississippi. West South Central division includes Arkansas, Louisiana, Oklahoma, and Texas. Mountain division includes Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada. Pacific division includes Washington, Oregon, and California.

The following table shows the distribution of the 609 societies reporting as to size. As is seen, 30 per cent of the societies have fewer than 100 members each, and nearly 60 per cent have fewer than 200 members. On the other hand, one-eighth of the number have 500 members or more, while 5.6 per cent have 1,000 or more.

TABLE 6.—DISTRIBUTION OF CONSUMERS' SOCIETIES ACCORDING TO MEMBERSHIP OF SOCIETY

Type of society	Number of societies having classified number of members								Total
	Under 50	50 and under 100	100 and under 200	200 and under 300	300 and under 500	500 and under 750	750 and under 1,000	1,000 and over	
Distributive departments of marketing associations.....	3	15	15	7	7	2	2	1	52
Retail store societies.....	48	97	133	64	34	9	2	20	407
Gasoline filling stations.....	1	10	22	25	24	18	8	10	118
Bakeries.....			2	2	1		1	1	7
Creameries.....			1	1	1			1	2
Restaurants.....		2	1	1	1			1	6
Boarding houses.....	6	2	3	1	3				15
Laundries.....	1			1					2
Total.....	59	126	176	101	71	29	13	34	609
Per cent.....	9.7	20.7	28.9	16.6	11.7	4.7	2.1	5.6	100.0

All but one of the students' cooperative societies reporting membership have more than 1,500 members each. Apart from these, the 10 largest consumers' distributive societies in the United States, in point of membership, are as follows:

	Members
Franklin Cooperative Creamery Association, Minneapolis, Minn.....	4, 474
Range Cooperative Oil Association, Virginia, Minn.....	5 3, 387
Consumers' Cooperative Services, New York, N. Y.....	3, 255
Cooperative Trading Association, Brooklyn, N. Y.....	2, 451
Macon County Supply Co., Decatur, Ill.....	2, 000
La Salle County Farm Supply Co., Ottawa, Ill.....	1, 700
Cooperative Trading Association, Waukegan, Ill.....	1, 527
Tamarack Cooperative Association, Calumet, Mich.....	1, 522
Cooperative Managers' Association, Corvallis, Oreg.....	1, 426
Cloquet Cooperative Society, Cloquet, Minn.....	1, 301

### Age of Societies

THE average age of the various types of societies reporting is shown in the statement below:

	Yrs.	Mos.
Store societies.....	10	4
Gasoline filling stations.....	3	1
Bakeries.....	12	11
Creameries.....	6	4
Restaurants.....	9	2
Boarding houses.....	11	10
Laundries.....	13	1
Funeral associations.....	11	9

\* Membership of societies which own the oil association.

Table 7 gives the distribution of the principal types of societies according to the year in which established:

TABLE 7.—DISTRIBUTION OF CONSUMERS' SOCIETIES BY TYPE AND YEAR OR PERIOD IN WHICH ESTABLISHED

Year or period	Number of societies established in specified year or period				Total
	Distributive departments	Retail store societies	Gasoline filling stations	Other types	
1881-1885.....		2			2
1886-1890.....	1	2			3
1891-1895.....	3	4			7
1896-1900.....	2	5			7
1901-1905.....	1	7		1	9
1906-1910.....		28			28
1911-1915.....	11	75	2	7	95
1916.....	4	20		1	25
1917.....	5	25		5	35
1918.....	3	37		2	42
1919.....	5	57		3	65
1920.....	6	66	1	9	82
Total, 1916-1920.....	23	205	1	20	249
1921.....	3	33	2	1	39
1922.....	2	13	2	4	21
1923.....	2	15		1	18
1924.....		3	10		13
1925.....	1	5	8	1	15
Total, 1921-1925.....	8	69	22	7	106
1926.....		8	28		36
1927.....		7	27	1	35
1928.....		1	25		26
1929.....	1	2	22		25
Total, 1926-1929.....	1	18	102	1	122
Grand total.....	50	415	127	36	628

The situation shown in this table is typical of the development of the cooperative movement in this country. A slight increase in cooperative development became noticeable at the beginning of this century, gradually growing in volume and reaching its high points during the war years of high prices. Then followed a period of depression and falling prices when cooperative as well as other business found it difficult to survive, and when unemployment and lack of funds among the workers acted as obstacles to the formation of new societies. The table reveals the expansion of the cooperative gasoline stations during the past few years when comparatively few store societies have been formed.

#### Funds of Societies

THE consumers' societies reporting as to share capital have an aggregate amount of \$7,987,090, an average of \$13,607 per society, and \$45 per member. Reserves amount to \$4,324,375, or \$7,379 per society. The data for the various types of societies are shown in Table 8.

TABLE 8.—CAPITAL AND RESERVES OF VARIOUS TYPES OF CONSUMERS' SOCIETIES

Type of society	Share capital				Reserves	
	Number of societies reporting	Amount	Average per society	Average per member <sup>1</sup>	Number of societies reporting	Amount
Distributive departments of marketing associations.....	‡ 46	\$1,043,885	\$22,693	\$112	49	\$334,402
Retail store societies.....	‡ 383	4,653,197	12,149	46	396	2,875,296
Gasoline filling stations.....	‡ 129	1,182,214	9,164	21	109	604,640
Bakeries.....	8	52,260	6,533	17	8	69,198
Creameries.....	2	944,975	472,488	194	2	261,076
Restaurants.....	6	72,343	12,057	18	5	149,989
Boarding houses.....	‡ 11	29,126	2,648	16	16	19,474
Laundries.....	2	9,090	4,545	34	—	—
Funeral associations.....	( <sup>6</sup> )	( <sup>6</sup> )	—	—	1	10,000
Total.....	‡ 587	7,987,090	13,607	45	586	4,324,375

- <sup>1</sup> Based on societies reporting both membership and capital.  
<sup>2</sup> Not including 3 societies which are nonstock organizations.  
<sup>3</sup> Not including 14 societies which are nonstock organizations.  
<sup>4</sup> Not including 2 societies which are nonstock organizations.  
<sup>5</sup> Not including 5 societies which are nonstock organizations.  
<sup>6</sup> No data.  
<sup>7</sup> Not including 24 societies which are nonstock organizations.

### Amount of Business Done by Cooperative Societies

DURING 1929 the 416 store societies reporting had sales of nearly \$38,000,000, an average of more than \$90,000 each. More than \$10,000,000 worth of business was done by the oil associations. Altogether the business done by the various types of consumers' societies amounted to nearly \$65,000,000.

Table 9, below, shows the 1929 business done by each of the principal types of societies, by States and by geographic divisions. It is seen that the major part of the consumers' cooperative business is concentrated in the North Central divisions; these account for nearly 70 per cent of the total, while the Northeastern States, their nearest competitor for the position, account for 17 per cent.

Minnesota was the leading State in sales in 1929, its cooperative business amounting to more than twice that of either Illinois or Nebraska (its nearest rivals in point of business), and more than that of all the Northeastern States combined.

TABLE 9.—SALES OF VARIOUS TYPES OF CONSUMERS' SOCIETIES IN 1929, BY STATES AND GEOGRAPHIC DIVISIONS

State and geographic division	Retail store societies		Gasoline filling stations		Other types		Total	
	Number reporting	Business	Number reporting	Business	Number reporting	Business	Number reporting	Business
<i>State</i>								
Alaska.....	1	\$230,900	—	—	—	—	1	\$230,900
Arizona.....	1	46,143	—	—	—	—	1	46,143
Arkansas.....	6	364,602	—	—	—	—	6	364,602
California.....	5	840,438	—	—	—	—	5	840,438
Colorado.....	1	19,315	1	\$37,597	1	\$123,560	3	180,472
Connecticut.....	4	601,716	—	—	1	9,637	5	611,353

TABLE 9.—SALES OF VARIOUS TYPES OF CONSUMERS' SOCIETIES IN 1929, BY STATES AND GEOGRAPHIC DIVISIONS—Continued

State and geographic division	Retail store societies		Gasoline filling stations		Other types		Total	
	Number reporting	Business	Number reporting	Business	Number reporting	Business	Number reporting	Business
<i>State—Continued</i>								
Idaho.....	3	\$333, 131					3	\$333, 131
Illinois.....	22	2, 366, 097	14	\$2, 035, 050	7	\$600, 064	43	5, 001, 211
Indiana.....	1	89, 694			2	83, 460	3	173, 154
Iowa.....	14	871, 419	16	1, 344, 568	4	579, 073	34	2, 795, 065
Kansas.....	26	1, 326, 441	4	240, 162	9	3, 365, 595	39	4, 932, 198
Kentucky.....	4	225, 834					4	225, 834
Maine.....	15	1, 129, 802					15	1, 129, 802
Maryland.....	2	221, 019					2	221, 019
Massachusetts.....	18	2, 911, 822			5	303, 376	23	3, 215, 198
Michigan.....	31	4, 149, 424			9	341, 969	40	4, 491, 393
Minnesota.....	72	5, 009, 332	49	3, 587, 117	9	3, 554, 386	130	12, 150, 835
Missouri.....	15	1, 435, 657	2	26, 287	6	658, 798	23	2, 120, 742
Montana.....	1	96, 854			1	469, 000	2	565, 854
Nebraska.....	23	1, 564, 490	39	2, 377, 429	4	1, 147, 001	66	5, 088, 921
New Hampshire.....	4	250, 766					4	250, 766
New Jersey.....	4	999, 889			1	240, 400	5	1, 240, 289
New Mexico.....			1	250, 000			1	250, 000
New York.....	18	2, 611, 403			4	1, 112, 641	22	3, 724, 044
North Carolina.....	2	58, 940					2	58, 940
North Dakota.....	12	1, 074, 612	2	115, 587			14	1, 190, 199
Ohio.....	11	1, 346, 402			2	73, 743	13	1, 420, 145
Oklahoma.....	2	72, 765			3	546, 668	5	619, 433
Oregon.....	3	391, 379			1	92, 236	4	483, 615
Pennsylvania.....	13	616, 249					13	616, 249
Rhode Island.....	3	195, 886					3	195, 886
South Dakota.....	10	411, 907	2	214, 818	3	1, 362, 058	15	1, 988, 783
Tennessee.....	2	134, 000					2	134, 000
Texas.....	5	517, 682			2	66, 474	7	584, 156
Vermont.....	1	39, 000					1	39, 000
Virginia.....	7	810, 146					7	810, 146
Washington.....	21	1, 894, 580			2	229, 320	23	2, 123, 900
West Virginia.....	3	279, 333					3	279, 333
Wisconsin.....	29	1, 978, 675	9	493, 434	9	886, 296	47	3, 358, 405
Wyoming.....	1	179, 756	1	60, 000	1	340, 000	3	579, 756
Total.....	416	37, 607, 560	140	10, 782, 049	86	16, 185, 760	642	64, 665, 369
<i>Geographic division</i>								
New England.....	45	5, 128, 992			6	313, 013	51	5, 442, 005
Middle Atlantic.....	35	4, 227, 541			5	1, 353, 041	40	5, 580, 582
East North Central.....	94	9, 930, 292	23	2, 528, 484	29	1, 985, 532	146	14, 444, 308
West North Central.....	172	11, 693, 858	114	7, 905, 968	35	10, 666, 916	321	30, 266, 742
South Atlantic.....	14	1, 369, 438					14	1, 369, 438
East South Central.....	6	359, 834					6	359, 834
West South Central.....	13	955, 049			5	613, 142	18	1, 568, 191
Mountain.....	7	675, 199	3	347, 597	3	932, 560	13	1, 955, 356
Pacific.....	29	3, 126, 457			3	321, 556	32	3, 448, 013
Total.....	415	37, 466, 660	140	10, 782, 049	86	16, 185, 760	641	64, 434, 469
Alaska.....	1	230, 900					1	230, 900

The distribution of the consumers' societies according to amount of sales in 1929 is shown, for each type of society, in Table 10. The largest group of societies is that with sales of from \$50,000 to \$100,000, 34.4 per cent falling in that group, while 27.4 per cent had sales of from \$25,000 to \$50,000.

TABLE 10.—NUMBER AND PER CENT OF EACH TYPE OF CONSUMERS' SOCIETIES HAVING CLASSIFIED AMOUNT OF SALES IN 1929

Type of society	Number of societies having classified amount of sales							Total
	Less than \$25,000	\$25,000 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$200,000	\$200,000 to \$300,000	\$300,000 to \$500,000	\$500,000 and over	
	Distributing departments of marketing associations.....	4	7	13	11	8	4	
Retail store societies.....	50	113	154	64	18	11	6	416
Gasoline filling stations.....	16	47	46	23	4	4		140
Bakeries.....		2	4		1	1		8
Creameries.....			1				1	2
Restaurants.....		2		2	1		1	6
Boarding houses.....	9	3	3					15
Laundries.....	1	1						2
Funeral associations.....	1	1						2
Total.....	81	176	221	100	32	20	12	642

Per cent								
Distributing departments of marketing associations.....	7.8	13.7	25.5	21.6	15.7	7.8	7.8	100.0
Retail store societies.....	12.0	27.2	37.0	15.4	4.3	2.6	1.4	100.0
Gasoline filling stations.....	11.4	33.6	32.9	16.4	2.9	2.9		100.0
Bakeries.....		25.0	50.0		12.5	12.5		100.0
Creameries.....			50.0				50.0	100.0
Restaurants.....		33.3		33.3	16.7		16.7	100.0
Boarding houses.....	60.0	20.0	20.0					100.0
Laundries.....	50.0	50.0						100.0
Funeral associations.....	50.0	50.0						100.0
Total.....	12.6	27.4	34.4	15.6	5.0	3.1	1.9	100.0

An interesting feature of the table is that 64 societies, or nearly 10 per cent of the whole number reporting, had sales of \$200,000 or more, and 12 societies had sales of half a million dollars or more. Excluding the students' societies, the 10 leading consumers' societies in the United States in point of sales in 1929 are listed below:

	Sales
Franklin Cooperative Creamery, Minneapolis, Minn.....	\$3,342,291
Cooperative Trading Association, Waukegan, Ill.....	797,567
Soo Cooperative Mercantile Association, Sault Ste. Marie, Mich.....	686,514
Consumers' Cooperative Services, New York, N. Y.....	612,226
Cloquet Cooperative Society, Cloquet, Minn.....	546,567
Cooperative Trading Association, Brooklyn, N. Y.....	471,523
North Star Cooperative Store Co., Fairport Harbor, Ohio.....	465,260
Virginia Work People's Trading Co., Virginia, Minn.....	422,404
Tamarack Cooperative Association, Calumet, Mich.....	388,185
United Cooperative Society, Fitchburg, Mass.....	371,325

It is seen that the societies with the largest membership are not necessarily the societies with the largest sales. Only 6 of the 10 societies with the largest number of members occur in the above list.

Table 11 shows, for each type of consumers' societies, the amount of business done in each of the four years covered by the study.

TABLE 11.—AMOUNT OF BUSINESS DONE BY VARIOUS TYPES OF CONSUMERS' SOCIETIES, 1926 TO 1929

Type of society	1926		1927		1928		1929	
	Number of societies reporting	Amount of business	Number of societies reporting	Amount of business	Number of societies reporting	Amount of business	Number of societies reporting	Amount of business
Distributive departments of marketing associations.....	28	\$4,468,886	29	\$5,552,868	36	\$7,304,882	51	\$10,058,195
Retail store societies.....	295	27,073,211	316	28,475,404	361	32,917,283	416	37,697,560
Gasoline filling stations.....	21	1,725,193	52	3,208,772	77	6,049,481	140	10,782,049
Bakeries.....	6	704,187	6	722,411	7	737,127	8	965,915
Creameries.....	1	3,398,659	1	3,341,740	2	3,511,542	2	3,434,527
Restaurants.....	3	855,983	3	893,390	5	1,082,550	6	1,211,236
Boarding houses.....	9	266,450	7	155,939	12	350,504	15	427,293
Laundries.....	2	34,744	2	37,509	2	37,470	2	35,422
Funeral associations.....	1	29,526	1	32,413	2	52,908	2	53,172
Total.....	366	38,556,839	417	42,420,446	504	52,043,747	642	64,665,369

### Goods Manufactured by Consumers' Societies

THAT the consumers' cooperative movement in the United States has not yet attempted much in the way of production of its own goods is shown by the fact that only 16 of the 656 societies reported manufactures of any kind. In 6 instances bakery products were the goods manufactured, in 2 cases feed, and in 1 case each ruled paper, tailor-made clothing, and butter and ice cream;<sup>6</sup> in the remaining 5 cases the kind of goods produced was not stated. The 16 societies reporting, however, together produced goods valued at \$1,580,113, as is shown in the table below:

TABLE 12.—VALUE OF GOODS MANUFACTURED BY CONSUMERS' COOPERATIVE SOCIETIES IN 1929

Type of society	Number of societies	Value of goods produced
Distributing departments of marketing associations.....	2	\$238,073
Retail store societies.....	13	511,985
Creameries.....	1	830,055
Total.....	16	1,580,113

In some localities the societies have taken a first step toward the ultimate manufacture of commodities, by having goods of specified kind and quality packed for them under the cooperative label. This is being done by two of the wholesales<sup>7</sup> and by a group of societies in the Central States Cooperative League.

### Operating Expenses

A GRATIFYINGLY large number of societies furnished detailed statements of operating expenses for 1929. Although some were discarded

<sup>6</sup> Since the beginning of 1930 another society has begun the manufacture of ice cream.

<sup>7</sup> One of these also manufactures bakery products.

because they did not cover the whole year or because they were not in sufficient detail, usable reports were obtained from 180 store societies, 62 oil associations, and 13 societies of other types—255 in all.

The table following shows, for each of the types of societies, the low, high, and average rate of operating expense for 1929:

TABLE 13.—LOW, HIGH, AND AVERAGE RATE OF OPERATING EXPENSE IN 1929, OF VARIOUS TYPES OF CONSUMERS' COOPERATIVE SOCIETIES

Type of society	Low	High	Average
Retail store societies:			
General stores.....	4.4	30.7	11.5
Grocery stores.....	5.6	19.2	11.7
Grocery and meat stores.....	7.7	26.2	15.2
Coal yards.....	14.0	19.7	18.2
Students' supply stores.....	11.5	19.9	14.9
All store societies.....	4.4	30.7	12.3
Gasoline filling stations.....	3.8	45.8	15.2
Bakeries.....	21.5	50.1	32.2
Creameries.....	30.3	32.3	31.6
Restaurants.....	23.3	58.0	53.2
Laundries.....	103.6	112.2	105.9
Wholesale societies.....	6.4	9.7	8.8

Table 14 shows for each type of society the per cent of net sales expended for each item of overhead in 1929. As in the preceding table, the operating expenses of the three wholesale societies handling groceries and other merchandise are also included for purposes of comparison.

TABLE 14.—OPERATING EXPENSES OF CONSUMERS' COOPERATIVE SOCIETIES IN 1929

Item	Per cent of net sales expended for each item by store societies					
	General stores (116)	Grocery stores (32)	Grocery and meat stores (26)	Coal yards (2)	Students' supply stores (4)	Total (180)
Sales expense:						
Wages.....	7.1	7.1	9.7	13.9	10.1	7.8
Advertising.....	.2	.2	.2		.8	.2
Wrappings.....	.2		.3		(1)	.2
Total.....	7.5	7.5	10.2	13.9	11.0	8.2
Miscellaneous delivery expense (except wages).....	.4	.6	.7	2.2	(1)	.5
Rent.....	.3	.7	.6	.2	1.1	.4
Light, heat, power, and water.....	.4	.3	.5	.2	.1	.4
Insurance and taxes.....	1.0	.7	.7	1.1	.7	.9
Interest on borrowed money.....	.3	.4	.3		.1	.3
Office supplies and postage.....	.1	.1	.1	(1)	.1	.1
Telephone and telegraph.....	.1	.1	.1	.2	.3	.1
Repairs.....	.1	.1	.2	.2	.1	.1
Depreciation.....	.5	.4	.5		.4	.5
Bad debts.....	.2	.1	(1)		.1	.2
Miscellaneous.....	.7	.8	1.0	.3	.9	.8
Grand total.....	11.5	11.7	15.2	18.2	14.9	12.3

<sup>1</sup> Less than one-tenth of 1 per cent.

TABLE 14.—OPERATING EXPENSES OF CONSUMERS' COOPERATIVE SOCIETIES IN 1929—Continued

Item	Per cent of net sales expended for each item by—					Wholesale societies (3)
	Gasoline filling stations (62)	Bakeries (6)	Creameries (2)	Restaurants (3)	Laundries (2)	
<b>Sales expense:</b>						
Wages.....	10.6	21.2	16.7	33.1	67.8	4.1
Advertising.....	.2	.2	.8		.6	.6
Wrappings.....		.4	2.4	(1)		.5
<b>Total.....</b>	<b>10.8</b>	<b>21.8</b>	<b>19.9</b>	<b>33.2</b>	<b>68.4</b>	<b>5.2</b>
<b>Miscellaneous delivery expense (except wages):</b>						
Rent.....	.8	2.0	4.2	.1	2.0	.2
Light, heat, power, and water.....	.4	.9	.7	.5	3.0	.1
Insurance and taxes.....	.2	.9	1.9	.4	8.9	.3
Interest on borrowed money.....	.7	2.3	.5	.9	3.2	.2
Office supplies and postage.....	.1	.5	.1		.6	.2
Telephone and telegraph.....	.2	.1	.3		.2	.3
Repairs.....	.1	.1	.1	(1)	.4	.2
Depreciation.....	.1	.5	.2	9.2	2.9	(1)
Bad debts.....	.9	1.2	2.4	7.9	4.8	.3
Miscellaneous.....	.1	.6	.6			.2
<b>Grand total.....</b>	<b>15.2</b>	<b>32.2</b>	<b>31.6</b>	<b>53.2</b>	<b>105.9</b>	<b>8.8</b>

<sup>1</sup> Less than one-tenth of 1 per cent.<sup>2</sup> Includes drivers' commissions.

The retail store societies are classified below, according to the expense ratio in 1929:

	Number of societies
Under 5 per cent.....	1
5 and under 7.5 per cent.....	14
7.5 and under 10 per cent.....	35
10 and under 12 per cent.....	37
12 and under 15 per cent.....	39
15 and under 17.5 per cent.....	32
17.5 and under 20 per cent.....	19
20 and under 25 per cent.....	1
25 and under 30 per cent.....	1
30 and under 35 per cent.....	1
<b>Total.....</b>	<b>180</b>

The following table shows the operating expenses of each type of consumers' society in 1929 as compared with 1925, when the bureau's last previous study was made. It is seen that the expenses have decreased slightly except in the general stores and the restaurants. The great increase in the expenses of the restaurants appears to be due in the main to heavier expenditure for wages and repairs and to a greater marking off for depreciation.

TABLE 15.—COMPARISON OF OPERATING EXPENSES OF CONSUMERS' SOCIETIES FOR 1925 AND 1929

Type of society	Rate of operating expense in—	
	1925	1929
	<i>Per cent</i>	<i>Per cent</i>
General stores.....	11.5	11.5
Grocery stores.....	13.4	11.7
Grocery and meat stores.....	17.3	15.2
Coal yards.....	19.3	18.2
Gasoline filling stations.....	16.1	15.2
Bakeries.....	33.2	32.2
Creameries.....	31.8	31.6
Restaurants.....	36.9	53.2

## Net Gain

OF 603 societies reporting as to net gain or loss on the 1929 operations, 30 had losses aggregating \$78,234, while 537 made gains amounting to \$3,058,715 and 36 "came out even." The advantageous position occupied by the cooperative gasoline and oil associations is markedly brought out by Table 16 below, for it shows that the profits of 140 stations were nearly as great as those of the more than twice as many store societies. The net gain made by the gasoline stations was at the rate of 12 per cent of the sales, a figure not even remotely approached by any of the other consumers' societies. Figured on the basis of return on share capital, the earnings of all groups were good and in two cases remarkable.

TABLE 16.—PROFITS AND LOSSES OF VARIOUS TYPES OF CONSUMERS' SOCIETIES IN 1929, AND RATE BASED ON CAPITAL AND SALES

Type of society	Number of societies having neither gain nor loss	Loss		Gain		Total net gain		Rate (per cent) of total net gain, based on—	
		Number of societies having	Amount	Number of societies having	Amount	Number of societies	Amount	Sales <sup>1</sup>	Share capital <sup>2</sup>
Distributing departments of marketing associations.....	5	<sup>2</sup> 2	\$11,233	42	\$170,906	<sup>3</sup> 44	\$159,673	1.7	14.1
Retail store societies.....	22	<sup>4</sup> 24	62,264	335	1,367,935	<sup>5</sup> 359	1,305,671	3.8	26.8
Gasoline filling stations.....				140	1,326,791	140	1,326,791	12.0	107.1
Bakeries.....	1			7	16,105	7	16,105	1.8	31.9
Creameries.....				2	132,931	2	132,931	3.9	14.1
Restaurants.....		1	1,705	5	40,851	6	39,146	3.2	54.1
Boarding houses.....	8	2	1,815	6	3,196	8	1,381	.6	5.5
Laundries.....		<sup>6</sup> 1	1,217			<sup>5</sup> 1	<sup>6</sup> 1,217		
Total.....	36	<sup>7</sup> 30	78,234	537	3,058,715	567	2,950,481		

<sup>1</sup> Based on sales of societies which reported either profit or loss.

<sup>2</sup> Based on share capital of societies which reported either profit or loss.

<sup>3</sup> Not including 2 societies which reported a loss but did not state amount.

<sup>4</sup> Not including 7 societies which reported a loss but did not state amount.

<sup>5</sup> Not including 1 society which reported a loss but did not state amount.

<sup>6</sup> Loss.

<sup>7</sup> Not including 10 societies which reported a loss but did not state amount.

The net gains on the 1929 business made by the principal types of consumers' societies are shown, by States, in the table following:

TABLE 17.—NET EARNINGS OF CONSUMERS' SOCIETIES IN 1929, BY STATES

State	Distributive departments of marketing associations		Store societies		Gasoline filling stations		Other societies		Total	
	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount
Arkansas			5	\$3,941					5	\$3,941
California			5	32,031					5	32,031
Colorado	1	\$1,632			2	\$13,138			3	14,770
Connecticut			4	38,921			( <sup>1</sup> )	( <sup>1</sup> )	<sup>2</sup> 4	<sup>2</sup> 38,921
Idaho			3	8,180					3	8,180
Illinois	1	1,309	21	94,741	14	252,693	5	\$8,121	41	356,864
Indiana	1	1,410	1	1,854			1	200	3	644
Iowa	4	10,978	14	16,200	15	133,391			33	160,569
Kansas	9	56,640	<sup>2</sup> 20	<sup>2</sup> 33,680	4	35,242			<sup>2</sup> 33	<sup>2</sup> 125,562
Kentucky			4	10,009					4	10,009
Maine			13	24,904					13	24,904
Maryland			<sup>2</sup> 1	<sup>2</sup> 685					<sup>2</sup> 1	<sup>2</sup> 685
Massachusetts			18	212,050			5	8,142	23	220,192
Michigan	3	5,908	<sup>2</sup> 29	<sup>2</sup> 185,700			6	<sup>3</sup> 374	<sup>2</sup> 38	<sup>2</sup> 191,234
Minnesota	3	3,991	<sup>2</sup> 69	<sup>2</sup> 168,895	49	472,766	6	130,405	<sup>2</sup> 127	<sup>2</sup> 776,057
Missouri	6	16,773	14	32,591	2	1,976			22	51,340
Montana	1	<sup>3</sup> 9,823	1	11,692					2	1,869
Nebraska	5	11,453	<sup>2</sup> 20	<sup>2</sup> 34,270	38	267,967			<sup>2</sup> 63	<sup>2</sup> 313,690
New Hampshire			4	7,363					4	7,363
New Jersey			5	89,020			1	1,442	6	90,462
New Mexico					1	4,000			1	4,000
New York			18	52,429			4	39,051	22	91,480
North Carolina			2	2,000					2	2,000
North Dakota			11	30,264	2	14,646			13	44,910
Ohio	1	6,662	11	23,104			1	<sup>3</sup> 725	13	29,041
Oklahoma	<sup>2</sup> 2	<sup>2</sup> 6,815	2	2,390					<sup>2</sup> 4	<sup>2</sup> 9,205
Oregon			3	26,155					4	28,930
Pennsylvania			12	15,781			1	2,775	12	15,781
Rhode Island			2	7,167					2	7,167
South Dakota	3	19,035	10	4,055	3	41,080			16	64,170
Tennessee			2	2,000					2	2,000
Texas	( <sup>4</sup> )	( <sup>4</sup> )	4	31,428					<sup>4</sup> 4	<sup>4</sup> 31,428
Virginia			<sup>4</sup> 4	<sup>4</sup> 15,332					<sup>4</sup> 4	<sup>4</sup> 15,332
Washington	2	10,342	20	38,627					22	48,969
West Virginia			3	6,970					3	6,970
Wisconsin	6	19,368	25	37,875	9	82,215	3	<sup>5</sup> 691	43	138,767
Wyoming			1	3,367	1	7,677			2	11,044
Total	<sup>6</sup> 48	<sup>6</sup> 159,673	<sup>7</sup> 381	<sup>7</sup> 1,305,671	140	1,326,791	<sup>2</sup> 33	<sup>2</sup> 188,346	<sup>8</sup> 602	<sup>8</sup> 2,980,481

<sup>1</sup> One society reported a loss but did not state amount.

<sup>2</sup> Not including one society which reported a loss but did not state amount.

<sup>3</sup> Loss.

<sup>4</sup> Two societies reported a loss but did not state amount.

<sup>5</sup> Not including 2 societies which reported a loss but did not state amount.

<sup>6</sup> Not including 3 societies which reported a loss but did not state amount.

<sup>7</sup> Not including 7 societies which reported a loss but did not state amount.

<sup>8</sup> Not including 10 societies which reported a loss but did not state amount.

Table 18 shows, for each of the four years covered, the net earnings of each type of consumers' society.

TABLE 18.—NET EARNINGS OF EACH TYPE OF CONSUMERS' SOCIETY, 1926 TO 1929

Type of society	1926		1927		1928		1929	
	Number of societies reporting <sup>1</sup>	Net gain <sup>a</sup>	Number of societies reporting <sup>1</sup>	Net gain <sup>a</sup>	Number of societies reporting <sup>1</sup>	Net gain <sup>a</sup>	Number of societies reporting <sup>1</sup>	Net gain <sup>a</sup>
Distributing departments of marketing associations.....	<sup>3</sup> 31	<sup>3</sup> \$66,827	<sup>3</sup> 34	<sup>2</sup> \$128,427	<sup>3</sup> 37	<sup>2</sup> \$142,311	<sup>3</sup> 49	<sup>3</sup> \$159,673
Retail store societies.....	<sup>4</sup> 269	<sup>4</sup> 976,667	<sup>4</sup> 293	<sup>4</sup> 1,084,420	<sup>4</sup> 335	<sup>4</sup> 1,178,674	<sup>5</sup> 379	<sup>6</sup> 1,305,671
Gasoline filling stations.....	26	258,088	55	375,523	77	476,111	140	1,326,791
Bakeries.....	<sup>5</sup> 5	<sup>5</sup> 14,510	<sup>5</sup> 5	<sup>5</sup> 17,268	<sup>5</sup> 5	<sup>5</sup> 10,319	8	16,405
Creameries.....	1	57,710	1	67,499	2	97,050	2	132,931
Restaurants.....	3	32,719	3	31,028	5	50,033	6	39,146
Boarding houses.....	9	4,755	8	883	12	3,403	16	1,381
Laundries.....	2	1,019	2	1,724	<sup>1</sup> 1	<sup>2</sup> 648	<sup>1</sup> 1	<sup>0</sup> 1,217
Total.....	<sup>5</sup> 346	<sup>5</sup> 1,412,295	<sup>5</sup> 401	<sup>5</sup> 1,706,772	<sup>7</sup> 474	<sup>7</sup> 1,958,549	<sup>8</sup> 601	<sup>8</sup> 2,980,481

<sup>a</sup> After subtracting losses of those societies which sustained a loss.

<sup>1</sup> Including also those societies which reported having neither gain nor loss.

<sup>2</sup> Not including 1 society which reported a loss but did not state amount.

<sup>3</sup> Not including 2 societies which reported a loss but did not state amount.

<sup>4</sup> Not including 7 societies which reported a loss but did not state amount.

<sup>5</sup> Not including 9 societies which reported a loss but did not state amount.

<sup>6</sup> Loss.

<sup>7</sup> Not including 10 societies which reported a loss but did not state amount.

<sup>8</sup> Not including 12 societies which reported a loss but did not state amount.

### Division of Profits

FROM the net profits on the year's business, provision is made for reserves, educational fund, etc., a regular fixed rate is paid in interest on share capital, and the remainder is usually returned to the members as patronage rebates or is used for some social purpose, for the good of the society as a whole. Of the 544 consumers' societies reporting on the subject of dividends, only 285 actually returned dividends on the 1929 business. There were various reasons for this. In the first place, 40 societies operated at a loss and 36 societies just "broke even"; none of these therefore had any profits to divide. In 4 cases the store was consumed by fire, presumably causing a loss, 1 society applied its 1929 profits to the payment of a mortgage on the store building, 1 is using its profits for the formation of a fund for the erection of its own building, and a third is using them to pay for the building it occupies. One society reports that it has just paid off the deficits incurred during the years 1920 to 1923 and will hereafter be in a position to use its earnings for the payment of patronage rebates, 5 other societies are still paying off deficits, while still another had its reserves wiped out as a result of the failure of a local bank in which its funds were deposited and is using its profits to build up another reserve fund.

As stated, 285 societies paid patronage rebates on the 1929 business, in a sum amounting to \$1,408,879. To these may also be added 12 other societies which operate on a cost-plus basis, and whose members therefore have already had what amounts to a rebate—in the form of lower prices.

Interest paid on share capital in 1929 amounted to \$337,587, making a total return for the year of \$1,746,466. During the four years covered by the bureau's study, these consumers' societies have returned to their members, in dividends and interest, the sum of \$5,102,504. The details are shown in the table following.

TABLE 19.—PATRONAGE REBATES AND INTEREST ON SHARE CAPITAL PAID BY CONSUMERS' SOCIETIES, 1926 TO 1929

Type of society	1926		1927		1928		1929	
	Number of societies	Amount	Number of societies	Amount	Number of societies	Amount	Number of societies	Amount
<i>Patronage rebates</i>								
Distributing departments of marketing associations.....	7	\$15,861	10	\$58,054	12	\$36,699	13	\$33,051
Retail store societies.....	<sup>1</sup> 113	<sup>1</sup> 465,335	<sup>1</sup> 128	<sup>1</sup> 553,300	143	627,132	132	693,777
Gasoline filling stations.....	<sup>2</sup> 27	<sup>2</sup> 210,111	<sup>3</sup> 54	<sup>3</sup> 264,278	<sup>4</sup> 82	<sup>4</sup> 354,829	<sup>5</sup> 117	<sup>5</sup> 674,628
Bakeries.....			1	300	2	301	2	459
Creameries.....								
Restaurants.....	1	6,872	1	6,624	1	7,818	1	6,964
Boarding houses.....								
Laundries.....								
Total.....	<sup>6</sup> 148	<sup>6</sup> 697,879	<sup>7</sup> 194	<sup>7</sup> 882,556	<sup>4</sup> 240	<sup>4</sup> 1,026,779	<sup>8</sup> 285	<sup>8</sup> 1,408,879
<i>Interest on capital</i>								
Distributing departments of marketing associations.....	20	25,677	24	30,611	26	24,818	30	31,296
Retail store societies.....	157	119,951	174	133,528	190	143,375	<sup>9</sup> 217	<sup>8</sup> 173,217
Gasoline filling stations.....	<sup>2</sup> 26	<sup>2</sup> 15,063	<sup>2</sup> 57	<sup>2</sup> 36,860	82	55,700	<sup>9</sup> 122	<sup>9</sup> 71,996
Bakeries.....					2	445	2	431
Creameries.....	1	48,635	1	47,555	2	57,998	2	56,950
Restaurants.....	1	1,858	1	2,253	1	2,722	1	3,119
Boarding houses.....	2	133	2	128	2	78	2	76
Laundries.....	1	509	1	503	1	514	1	502
Total.....	<sup>2</sup> 208	<sup>2</sup> 211,826	<sup>2</sup> 260	<sup>2</sup> 251,438	306	285,560	<sup>10</sup> 377	<sup>10</sup> 337,587
Grand total.....		909,705		1,133,994		1,312,339		1,746,466

<sup>1</sup> Not including 1 society which paid 2 per cent but did not state amount.

<sup>2</sup> Not including 1 society which paid 8 per cent but did not state amount.

<sup>3</sup> Not including 1 society which paid 7 per cent and 1 which paid 2 per cent, but did not state amount.

<sup>4</sup> Not including 1 society which paid 7 per cent but did not state amount.

<sup>5</sup> Not including 1 society which paid 5 per cent, 1 which paid 6 per cent, 1 which paid 8 per cent, and 1 which paid 18 per cent, but did not state amount.

<sup>6</sup> Not including 1 society which paid 2 per cent and 1 which paid 8 per cent but did not state amount.

<sup>7</sup> Not including 2 societies which paid 2 per cent and 1 which paid 7 per cent but did not state amount.

<sup>8</sup> Not including 7 nonstock associations.

<sup>9</sup> Not including 2 societies which paid 8 per cent but did not state amount.

<sup>10</sup> Not including 7 nonstock associations, and 2 societies which paid 8 per cent but did not state amount.

Some of the returns made by individual store societies are of interest. Thus, the Embarrass Cooperative Association, Embarrass, Minn., during the period 1916 to 1929 returned patronage dividends amounting to \$52,237; the Cloquet Cooperative Society, Cloquet, Minn., from 1921 to 1929 returned \$107,711; the Cooperative Trading Association, Waukegan, Ill., from 1926 to 1929 returned interest and dividends of \$93,831; the New Cooperative Co., at Dillonvale, Ohio, has since 1908 returned dividends amounting to \$199,361; the Soo Cooperative Mercantile Association, Sault Ste. Marie, Mich., during the period 1913 to 1929 returned in interest, patronage rebates, and bonuses to employees <sup>8</sup> a total of \$259,587; and the Tamarack Cooperative Association, Calumet, Mich., which has been in business since 1890, has in that time paid rebates and interest amounting to \$1,953,346.

Although the cooperative oil associations are a comparatively new branch of the movement, they have made remarkable savings for their members. Thus, the Cooperative Gas & Oil Co., at Sioux Center, Iowa, has since 1924 returned in interest and dividends the

<sup>8</sup> This association each year pays each of its employees a bonus on wages at the same rate as the dividend paid to members on purchases.

sum of \$54,788; in the same period the Lyon County Cooperative Oil Co., at Marshall, Minn., has paid \$96,713; the Freeborn County Cooperative Oil Co., at Albert Lea, Minn., has since 1925 returned \$127,664; and the Central Cooperative Oil Association, at Owatonna, Minn., has since 1922 returned a total of \$198,456.

### Development Since 1920

#### Membership

THE table below shows the membership, by States and geographic divisions, at the end of 1920, 1925, and 1929. As the cooperative oil associations form a new phase of cooperation which has developed almost entirely since 1925, these societies are shown separately in 1929 in order to show (1) the development of the "other" societies, the figures for the latter group being more nearly comparable with the data for 1920 and 1925, and (2) to show the influence of this new cooperative element—the cooperative gasoline filling stations.

As the table shows, the total number of members reported fell from 260,060 for 1920 to 139,301 for 1925, but showed an increase during the next four years, the membership of the consumers' societies not including the cooperative oil associations rising to 149,055 and including them to 204,368. The average membership per society, however (considering only the group of "other" consumers' societies), shows a rise from 1920 to 1925 and a slight decrease from 1925 to 1929. If the cooperative oil associations are included in the 1929 figures, the average is raised to a level above that of 1925.

The table shows that certain States (Alabama, Florida, Louisiana, Mississippi, and South Carolina) have dropped out of the cooperative picture altogether since the preceding studies, while in 14 States the membership reported has dropped to less than half the 1920 figure. In California, one of the States in which a serious decrease has taken place, the initial drop occurred between 1920 and 1925, and was due largely to the Pacific Cooperative League fiasco, but since 1925 the movement there has about held its own. The greatest increases have occurred in Illinois, Iowa, Minnesota, Oregon, and Virginia, but in the first three of these the increase was due in the main to the rapid growth of the cooperative oil movement.

TABLE 20.—TOTAL MEMBERSHIP OF CONSUMERS' SOCIETIES, 1920, 1925, AND 1929

State or geographic division	1920	1925	1929		
			Gasoline filling stations	Other types of societies	All types of societies
<i>State</i>					
Alaska.....	396	309		120	120
Alabama.....	293	150			
Arizona.....				2,000	2,000
Arkansas.....	963	235		538	538
California.....	18,863	9,044		8,549	8,549
Colorado.....	3,125	160	301	84	385
Connecticut.....	4,533	3,176		3,239	3,239
Florida.....	148				
Idaho.....	909	274		327	327
Illinois.....	14,051	9,559	11,022	11,425	22,447
Indiana.....	1,699	643		131	131
Iowa.....	4,252	3,051	10,019	2,974	12,993
Kansas.....	29,550	5,245	378	6,187	6,565
Kentucky.....	1,353	461		738	738
Louisiana.....	297				
Maine.....	2,390	1,204		3,127	3,127

TABLE 20.—TOTAL MEMBERSHIP OF CONSUMERS' SOCIETIES, 1920, 1925, AND 1929—Continued

State or geographic division	1920	1925	1929		
			Gasoline filling stations	Other types of societies	All types of societies
<i>State—Continued</i>					
Maryland.....	2,397	-----	-----	192	192
Massachusetts.....	18,974	21,676	-----	18,030	18,030
Michigan.....	9,443	8,873	-----	9,947	9,947
Minnesota.....	16,633	23,889	20,688	19,812	40,500
Mississippi.....	100	-----	-----	-----	-----
Missouri.....	4,047	458	406	2,905	3,311
Montana.....	3,594	195	-----	710	710
Nebraska.....	17,931	3,028	7,907	3,143	11,050
New Hampshire.....	53	285	-----	664	664
New Jersey.....	2,077	4,732	-----	3,435	3,435
New Mexico.....	689	-----	600	-----	600
New York.....	11,209	6,577	-----	14,905	14,905
North Carolina.....	210	124	-----	135	135
North Dakota.....	3,689	1,400	470	1,207	1,677
Ohio.....	6,546	13,494	-----	4,123	4,123
Oklahoma.....	2,429	727	-----	927	927
Oregon.....	2,114	3,030	-----	4,816	4,816
Pennsylvania.....	8,038	1,498	-----	1,893	1,893
Rhode Island.....	1,107	264	-----	344	344
South Carolina.....	427	-----	-----	-----	-----
South Dakota.....	3,270	1,166	1,044	1,698	2,742
Tennessee.....	814	46	-----	170	170
Texas.....	3,336	857	-----	2,909	2,909
Vermont.....	140	-----	-----	-----	-----
Virginia.....	543	215	-----	4,364	4,364
Washington.....	5,740	3,551	-----	3,228	3,228
West Virginia.....	1,430	1,049	-----	830	830
Wisconsin.....	49,503	8,116	2,478	8,563	11,041
Wyoming.....	255	540	-----	666	666
Total.....	<sup>1</sup> 260,060	<sup>2</sup> 139,301	<sup>3</sup> 55,313	<sup>4</sup> 149,055	<sup>5</sup> 204,368
Average per society.....	269	310	469	304	336
<i>Geographic division</i>					
New England.....	27,197	26,605	-----	25,404	25,404
Middle Atlantic.....	21,324	12,807	-----	20,233	20,233
East North Central.....	81,242	40,685	13,500	34,189	47,689
West North Central.....	79,372	38,237	40,912	37,926	78,838
South Atlantic.....	5,155	1,388	-----	5,521	5,521
East South Central.....	2,560	657	-----	908	908
West South Central.....	7,525	1,819	-----	4,374	4,374
Mountain.....	8,572	1,169	901	3,787	4,688
Pacific.....	26,717	15,625	-----	16,593	16,593
Alaska.....	396	309	-----	120	120
Total.....	260,060	139,301	55,313	149,055	204,368

<sup>1</sup> 966 societies.<sup>2</sup> 450 societies.<sup>3</sup> 118 societies.<sup>4</sup> 491 societies.<sup>5</sup> 609 societies.

The table below shows the average membership of each type of society:

TABLE 21.—AVERAGE MEMBERSHIP PER SOCIETY OF CONSUMERS' SOCIETIES IN 1920, 1925, AND 1929

Type of society	Average membership per society		
	1920 <sup>1</sup>	1925	1929
Distributing departments of marketing associations.....	-----	-----	227
Retail store societies.....	-----	293	303
Gasoline filling stations.....	-----	516	469
Bakeries.....	-----	537	392
Creameries.....	-----	-----	2,432
Restaurants.....	-----	547	695
Boarding houses.....	-----	143	131
Laundries.....	-----	132	133
Other societies.....	-----	931	-----
Total.....	269	310	336

<sup>1</sup> Not classified by type of society in 1920.

The above figures are based upon numbers of reporting societies, which varied from year to year. In order to check the accuracy of the trend shown by them, the reports of only those societies were taken which made returns in each of the three studies. A slightly different picture is thus revealed. The average membership of these 116 identical societies rose from 247 in 1920 to 264 in 1925 and finally to 270 in 1929.

Taking the 225 societies reporting for both 1925 and 1929, 110 reported losses in membership, 103 reported a gain in membership, and the members reported by 12 societies were the same for both years. The aggregate gains reported, however, exceeded the losses by 3,021, representing an expansion of 5.5 per cent, for the 225 societies as a group.

The table below shows the distribution of the societies each year, by size. For 1929 the data are given, first, for the group not including the gasoline filling stations (this being more comparable with the earlier years) and then including them. It is seen that there has been practically no change in the proportion of societies in the three lowest groups, except that the inclusion of the gasoline stations lowers the total somewhat. However, the proportion of societies with 1,000 members or more has risen from 2.9 per cent in 1920 to 4.4 per cent in 1925 and to 4.9 per cent in 1929 (to 5.6 per cent, if the gasoline stations are included).

TABLE 22.—DISTRIBUTION OF CONSUMERS' SOCIETIES IN 1920, 1925, AND 1929, BY SIZE

Number of members	Per cent of societies having classified number of members			
	1920	1925	1929	
			Without gasoline stations	With gasoline stations
Under 100.....	33.1	36.8	35.4	30.4
100 and under 200.....	36.6	32.8	31.4	28.9
200 and under 300.....	13.7	12.4	15.5	16.6
300 and under 500.....	10.1	8.0	9.6	11.7
500 and under 1,000.....	3.5	5.5	3.3	6.8
1,000 and over.....	2.9	4.4	4.9	5.6
Total.....	100.0	100.0	100.0	100.0

## Funds

Table 23 shows the comparative data as to spare capital and reserves. In order to make the 1929 data comparable with those for previous years, the averages are also given for the group excluding the cooperative oil associations. The figures show a drop in the average for both capital and reserves since 1925.

TABLE 23.—TOTAL AND AVERAGE SHARE CAPITAL AND RESERVES OF CONSUMERS' SOCIETIES, 1920, 1925, AND 1929

Year	Share capital			Reserves	
	Total amount	Average per society	Average per member <sup>1</sup>	Total amount	Average per society
1920.....	\$11,290,973	\$17,056	\$59	\$1,614,483	\$5,142
1925.....	6,499,574	16,455	68	2,407,676	9,442
1929:					
Without gasoline filling stations.....	6,804,876	14,858	55	3,719,435	7,798
With gasoline filling stations.....	7,987,090	13,607	45	4,324,375	7,379

<sup>1</sup> Based on societies which reported both share capital and membership.

The averages of share capital per society and per member and average amount of reserves per society, for each type of society, are shown in the table following, for the two years 1925 and 1929. (In the 1920 study the societies were not classified on the basis of kind of business done.) It is seen that, in every group for which there are comparable data for the two years, the average share capital per society has declined since 1925; the same is true as regards share capital per member, except for the bakeries and restaurants in which slight gains were made. As regards average reserves, a decline occurred in every group except gasoline filling stations and bakeries.

TABLE 24.—AVERAGE SHARE CAPITAL AND RESERVES OF VARIOUS TYPES OF CONSUMERS' SOCIETIES, 1925 AND 1929

Type of society	Share capital				Reserves: Average amount per society	
	Average per society <sup>1</sup>		Average per member			
	1925	1929	1925	1929	1925	1929
Distributive departments of marketing associations.....		\$22,693		\$112		\$6,845
Retail store societies.....	\$14,518	12,149	\$63	46	\$9,266	7,261
Gasoline filling stations.....	11,318	9,164	23	21	3,553	5,550
Bakeries.....	7,547	6,533	15	17	4,369	8,650
Creameries.....		472,488		194		130,538
Restaurants.....	18,648	12,057	16	18	35,369	29,998
Boarding houses.....	2,690	2,648	16	16	1,554	1,217
Laundries.....	8,540	4,545	35	34		
Other societies.....	205,370		(?)		41,227	10,000
Total.....	16,455	13,607	68	45	9,442	7,379

<sup>1</sup> Data not available.

#### Amount of Business

Table 25 presents the average sales per society, by States, in 1920, 1925, and 1929. Here again a division is made for 1929 so as to present figures comparable with previous years. It is seen that while a few rather serious decreases occurred, in the majority of States the average sales per society have increased since 1925. The average for all States shows a rather remarkable increase in 1929 as compared with 1925, the amount even exceeding the average for 1920, the year of peak prices.

TABLE 25.—AVERAGE AMOUNT OF BUSINESS PER SOCIETY, 1920, 1925, AND 1929, BY STATES

State	1920	1925	1929		State	1920	1925	1929	
			Without gasoline stations	With gasoline stations				Without gasoline stations	With gasoline stations
Alaska.....	\$60,000	\$111,519	\$236,900	\$230,900	New Mexico.....	\$131,667			\$250,000
Alabama.....	75,121	72,000			New York.....	72,252	\$118,743	\$169,275	169,275
Arizona.....			46,143	46,143	North Caro- lina.....	86,653	60,900	29,470	29,470
Arkansas.....	57,172	40,363	60,767	60,767	North Da- kota.....	99,376	83,518	89,551	85,014
California.....	226,292	139,921	168,100	168,100	Ohio.....	97,517	121,342	106,242	109,242
Colorado.....	71,988	75,502	71,438	60,157	Oklahoma.....	91,662	205,184	123,887	123,887
Connecticut.....	85,890	76,820	122,271	122,271	Oregon.....	33,546	66,111	120,904	120,904
Florida.....	142,000				P e n n s y l- vania.....	39,924	35,817	47,404	47,404
Idaho.....	101,730	69,311	111,044	111,044	Rhode Island.....	65,652	73,000	65,295	65,295
Illinois.....	88,256	109,180	102,281	116,307	South Caro- lina.....	51,660			
Indiana.....	52,248	76,387	57,718	57,718	South Da- kota.....	70,807	69,018	136,459	132,586
Iowa.....	118,751	68,362	80,883	82,208	Tennessee.....	134,500	13,166	67,000	67,000
Kansas.....	93,157	74,862	134,058	126,467	Texas.....	77,416	134,112	83,451	83,451
Kentucky.....	97,108	58,173	56,459	56,459	Vermont.....	21,600		39,000	39,000
Louisiana.....	44,313				Virginia.....	67,586	95,419	115,735	115,735
Maine.....	93,755	84,554	75,320	75,320	Washington.....	101,270	128,565	92,343	92,343
Maryland.....	31,764		110,510	110,510	West Vir- ginia.....	65,734	74,847	93,111	93,111
Massachu- setts.....	160,331	120,311	139,791	139,791	Wisconsin.....	159,549	187,179	75,394	71,455
Michigan.....	115,688	123,211	112,285	112,285	Wyoming.....	60,800	181,000	259,878	193,252
Minnesota.....	109,823	64,861	105,725	93,468	Total.....	103,751	100,964	107,337	100,725
Mississippi.....	28,000								
Missouri.....	97,589	37,044	99,736	92,206					
Montana.....	70,981	42,578	282,927	282,927					
Nebraska.....	102,707	84,033	100,426	77,105					
New Hamp- shire.....	8,500	68,278	62,692	62,692					
New Jersey.....	52,789	165,649	248,058	248,058					

Data for each year, 1920 to 1929, by type of society, follow:

TABLE 26.—AVERAGE AMOUNT OF BUSINESS DONE BY VARIOUS TYPES OF CONSUMERS' SOCIETIES EACH YEAR, 1920 TO 1929

Type of society	Average amount of business				
	1920	1921	1922	1923	1924
Distributive departments of marketing asso- ciations.....	\$94,218	(1)	(1)	(1)	(1)
Retail store societies.....	111,629	\$94,294	\$87,422	\$90,418	\$91,371
Gasoline filling stations.....			55,407	87,454	47,684
Bakeries.....	95,239	84,500	84,272	85,647	94,019
Creameries.....		844,063	1,670,694	3,106,991	3,301,592
Restaurants.....	37,569	48,009	75,637	112,165	115,755
Boarding houses.....	48,350	27,187	25,808	30,532	22,873
Laundries.....	16,042	13,990	13,208	15,877	21,063
Other societies.....	77,575	50,412	43,518	30,326	28,388
Total.....	103,751	94,128	90,831	97,999	97,098

Type of society	Average amount of business				
	1925	1926	1927	1928	1929
Distributive departments of marketing asso- ciations.....	(1)	\$159,603	\$191,478	\$202,913	\$197,219
Retail store societies.....	\$95,647	91,774	90,112	91,184	90,619
Gasoline filling stations.....	82,497	82,152	61,707	78,565	77,015
Bakeries.....	132,193	117,365	120,402	105,304	120,739
Creameries.....	3,533,175	3,398,659	3,341,740	1,755,771	1,717,264
Restaurants.....	135,822	285,328	297,797	216,510	201,873
Boarding houses.....	15,065	29,606	22,277	29,209	28,486
Laundries.....	18,893	17,372	18,755	18,735	17,711
Other societies.....	28,754	29,526	32,413	26,454	26,586
Total.....	100,964	105,347	101,728	103,261	100,725

<sup>1</sup> Not classified separately in this year.

The average sales per member have very generally shown a decrease since 1925, and for the whole group since 1920. When retail prices are considered, however, showing what may be called the "real" sales per member, the figures show an increase from 1920 to 1925 but a decrease from 1925 to 1929, although the 1929 figure is higher than 1920.

TABLE 27.—AVERAGE SALES PER MEMBER, 1920, 1925, AND 1929

Type of society	Average sales per member		
	1920	1925	1929
Distributive departments of marketing associations.....	(1)	(1)	\$859
Retail store societies.....	(1)	\$334	303
Gasoline filling stations.....	(1)	195	171
Bakeries.....	(1)	246	265
Creameries.....	(1)	(1)	706
Restaurants.....	(1)	248	295
Boarding houses.....	(1)	(1)	178
Laundries.....	(1)	144	133
Other societies.....	(1)	572	-----
Total.....	\$378	352	307
"Real" sales <sup>2</sup> .....	378	455	399

<sup>1</sup> Not classified separately in this year.

<sup>2</sup> On basis of retail prices.

In one or two instances the figures in the table are obviously too high, as the annual family consumption of the goods carried by the society would not reach the figure given, the average being raised by the inclusion of the sales to nonmembers. In some cases such sales form a considerable portion of the society's business. Thus, a large society in a big Eastern city does nearly three-fourths of its business with nonmembers; on the other hand, another large city society does only about one-fourth of its business with nonmembers.

#### "Real" Sales of Identical Societies

As the foregoing figures are based on varying numbers of societies, they may present a misleading picture. The reports of 95 societies which furnished reports for all 10 years are taken to form the basis of the comparison below. This may be taken as a representative group, for although it undoubtedly contains the more stable societies it also contains societies of all sizes and types.

The table below shows that the average money sales of these identical associations have risen almost steadily from 1921 to 1929, with one or two minor setbacks. The increase in the actual average sales over the 10-year period was 43.3 per cent; taking into consideration the retail prices, however, the "real" sales show an increase of 86.1 per cent.

TABLE 28.—ACTUAL AND "REAL" SALES OF IDENTICAL RETAIL SOCIETIES REPORTING FOR EACH YEAR, 1920 to 1929

Year	Index numbers of retail prices	Average sales of identical retail societies		
		Actual amount	"Real" sales <sup>1</sup>	
			Amount	Index numbers
1920.....	100.0	\$115,437	\$115,437	100.0
1921.....	75.4	105,642	140,109	121.4
1922.....	69.6	109,638	157,526	136.5
1923.....	71.9	135,886	188,993	163.7
1924.....	71.7	145,494	202,921	175.8
1925.....	77.4	158,593	204,901	177.5
1926.....	79.0	162,077	205,161	177.7
1927.....	76.4	161,253	211,064	182.8
1928.....	75.9	167,417	220,576	191.1
1929.....	77.0	165,452	214,873	186.1

<sup>1</sup> On basis of retail prices.

### Cooperative Policies

It is one of the cardinal principles of the cooperative movement that voting shall be on a membership and not a financial basis, each member having but one vote, regardless of the size of his investment in the association, and no proxy voting being allowed. In some States, however, voting is regulated by the law, either cooperative or corporation, under which the society operates, the society having no choice in the matter.<sup>9</sup>

Altogether, 600 societies reported as to the voting practice in their meetings. Of these, 530 adhere to the 1-man, 1-vote policy, while two others use this method except in the election of officers, on which occasion the vote is by shares; in 67 societies all voting is by shares (in 1 society, one vote for every five shares), while in another society the vote is by shares except in the election of officers.

The table below shows the extent to which the 1-man, 1-vote principle was disclosed in the three studies, 1920, 1925, and 1929, as well as the practice as to proxy voting:

TABLE 29.—VOTING PRACTICE OF CONSUMERS' SOCIETIES, 1920, 1925, AND 1929

Item	Per cent of societies in each class			Item	Per cent of societies in each class		
	1920	1925	1929		1920	1925	1929
Basis of voting:				Vote by proxy:			
1 man, 1 vote.....	89.8	87.9	88.7	Prohibited.....	66.4	61.0	64.6
Vote by shares.....	10.2	12.1	11.3	Allowed.....	33.6	39.0	35.4
Total.....	100.0	100.0	100.0	Total.....	100.0	100.0	100.0

The above figures indicate a slight improvement as regards the practice of the fundamental cooperative principles.

<sup>9</sup> For a review and synopsis of the cooperative laws, see p. 83.

## Extension of Credit

Of 607 societies which reported as to their credit policy, 506, or 83.4 per cent, allow credit. Ten of these limit the period of credit—in 1 case to 60 days, in 7 cases to 30 days, in 1 case to 15 days, and in 1 case to 1 week. In 51 cases the amount of credit is limited (in 2 of these to one-half of the share capital owned by the debtor). One general merchandise society allows credit on fuel only.

The table below shows for each of the three years, 1920, 1925, and 1929, the proportion of societies, reporting on credit policy, which grant credit to the members.

TABLE 30.—PER CENT OF SOCIETIES GRANTING CREDIT, 1920, 1925, AND 1929

Item	Per cent of total reporting		
	1920	1925	1929
Societies granting credit.....	73.2	83.6	83.4
Societies doing cash business only.....	26.8	16.4	16.6
Total reporting.....	100.0	100.0	100.0

It is seen that in spite of the efforts being made by the cooperative wholesale organizations and the educational leagues to further the adoption of the cash policy, the per cent of societies granting credit in 1929 was greater than in 1925.

## Recreational and Social Activities

THE value of social events in fostering the cohesiveness of the cooperative group is recognized by the more progressive societies, and some of these have a definite program of such events. In the city and town societies the recreational features are usually held during the winter, but organizations in country districts, especially in northern sections of the country, find it difficult to get their widely scattered members together because of cold and snow, and they therefore have most of their social affairs during the summer.

Although some of the societies confine their social gatherings to the annual meeting of the members, others hold concerts, entertainments of various sorts, dances, plays, etc.

The women's guilds which have been formed in a number of societies in the northern and central States, and which are mainly educational in purpose, are also doing work along social lines and are drawing the feminine members together, besides participating in general membership events.

In several instances a number of societies situated in one locality have held joint recreational affairs. Thus, the Cleveland societies are working along this line, and the societies in the vicinity of Marquette, Mich., have combined to form a recreational association and have, through it, purchased a tract of land which is being developed as a camp and is to serve for general recreation purposes. The women's cooperative guilds of Superior and Wentworth, Wis., in the summer of 1930 sponsored a children's camp in which 66 children were given the advantages of a vacation besides learning something of the principles of cooperation. The Workingmen's Cooper-

ative Co., of Cleveland, Ohio, has purchased some of the camp land held by the Czechoslovak Gymnastic Labor Union near that city. The United Workers' Cooperative, of New York City, as one of its functions, has for a number of years operated a large summer camp near Beacon, N. Y.

## Housing Societies

### Apartment Buildings

**O**F THE 43 cooperative housing societies operating apartment buildings, reports have been received from 23, all located in Manhattan, Bronx, or Brooklyn.

Of the 23 societies reporting, 1 was organized in 1916, 6 were started in 1920, 2 in 1921, 3 in 1922, 3 in 1923, 2 in 1924, 1 in 1925, 1 in 1926, 2 in 1927, 1 in 1928, and 1 in 1929. Few projects have been undertaken recently, practically the only new development which has come to the attention of the bureau being the buildings undertaken by the Amalgamated Clothing Workers on the East Side in New York City. Since the beginning of 1930, Consumers' Cooperative Services, a cafeteria organization in New York City, has constructed a building for its members.<sup>10</sup>

#### Types of Buildings Provided

The dwellings provided by all of the societies are apartments exclusively, usually those of the 4-story, walk-up type, the 16-dwelling building having four apartments per floor. Another, and more attractive type, is the court building, with a simple archway leading from the street to a grassy court, from which one or more entrances (according to the size of the building) lead into the various wings. Not all of the societies erected a new building for their needs; in a few cases an old building was purchased and remodeled. The projects of the Amalgamated Clothing Workers and United Workers are of the multiple-building, colony type.<sup>11</sup>

All but one of the cooperative apartment buildings in Brooklyn which reported are 4-story buildings; the other is a 5-story structure, the first floor of which is given over to stores. In New York City one society has a 3-story building, two have 4-story buildings, five have 5-story buildings, and two have 6-story structures.

Only three apartment buildings have elevators, two of these being the 6-story buildings.

The buildings of the 22 societies reporting on this point contain 2,312 apartments, of which 4 are 1-room apartments, 6 contain 2 rooms each, 128 contain 3 rooms, 42 have 3½ rooms each, 188 are of 4 rooms, and 264 contain more than 4 rooms. (In figuring the number of rooms, in only one case is the bathroom counted as a room, but all the societies reporting count the kitchen as a room. Only four buildings contain kitchenette apartments; in one of these the kitchenette is counted as half a room, while in the others it is not counted.)

<sup>10</sup> For a detailed account of this project see *Monthly Labor Review*, May, 1930, pp. 111, 112.

<sup>11</sup> These have been described in detail in previous publications—*Bulletin* No. 463 of this bureau (pp. 115-132), and *Monthly Labor Review*, issues of August, 1928 (pp. 1-18), and March, 1930 (p. 144).

As the table following shows, the 23 societies reporting have a combined membership of 2,306 and paid-in share capital of \$1,102,825. They control property whose original cost aggregated \$10,845,386, but is now assessed at \$6,681,088. The cost of the individual buildings or projects ranged from \$16,000 for a 4-story building of eight apartments to \$3,450,000 for a group project housing more than 1,000 families.

TABLE 31.—MEMBERSHIP, CAPITAL, AND VALUE OF LAND AND BUILDINGS OF HOUSING SOCIETIES IN 1929

Location	Number of societies reporting	Number of members	Share capital	Land and buildings	
				Original cost	Present assessed value
New York:					
Manhattan and Bronx.....	11	1,974	<sup>1</sup> \$550,139	\$9,358,166	<sup>2</sup> \$5,207,794
Brooklyn.....	12	332	<sup>3</sup> 552,686	<sup>3</sup> 1,487,220	<sup>3</sup> 1,473,294
Total.....	23	2,306	<sup>4</sup> 1,102,825	<sup>5</sup> 10,845,386	<sup>6</sup> 6,681,088

<sup>1</sup> 8 societies.  
<sup>2</sup> 9 societies.

<sup>3</sup> 11 societies.  
<sup>4</sup> 19 societies.

<sup>5</sup> 22 societies.  
<sup>6</sup> 20 societies.

The table below shows the classification of the societies according to the original cost of the building and land.

TABLE 32.—DISTRIBUTION OF HOUSING SOCIETIES ACCORDING TO ORIGINAL COST OF BUILDING AND LAND

Original cost	Manhattan and Bronx	Brooklyn
Under \$25,000.....	-----	2
\$25,000 and under \$50,000.....	2	1
\$50,000 and under \$100,000.....	1	5
\$100,000 and under \$500,000.....	4	2
\$500,000 and under \$1,000,000.....	1	1
\$1,000,000 and over.....	3	-----
Total.....	11	11

#### Cost to Tenant-Member

When the individual becomes a member of a housing society he subscribes for a certain amount of capital stock in the society, estimated as covering the cost of the apartment or dwelling he will occupy. This total cost is arrived at after consideration of a number of factors; the total cost of land, building and other expenses connected therewith are taken as a basis and the cost of each dwelling is determined according to the number of rooms, floor space, location, and other points of advantage or disadvantage. The cost figure so arrived at for each individual apartment is the price which the prospective tenant must pay, and the amount for which he must subscribe stock in the society. This stock may be paid for either as a whole or in installments, according to the requirements of the by-laws.

In the societies reporting, the average cost per room was as follows:

	Number of societies		Number of societies
\$170-----	1	\$700-----	1
\$190-----	1	\$725-----	1
\$250-----	2	\$835-----	1
\$275-400 <sup>12</sup> -----	1	\$1,080-----	1
\$340-----	1	\$1,200-----	1
\$350-----	1	\$1,487-----	1
\$400-----	1	\$1,646-----	1
\$457-----	1		
\$500-----	3	Total-----	20
\$587-----	1		

It is seen that in 60 per cent of the societies the average cost per room is \$500 or less, and in only 20 per cent does the cost exceed \$1,000 per room.

When the apartment is taken, the member is required to make a down payment of varying amount, and the rest is included as part of the monthly "rent," which also covers maintenance costs, interest, etc. Generally, any redecorating must be done at the tenant's expense. The initial payment required is shown in the statement below:

	Number of societies		Number of societies
\$500-----	2	\$2,000-----	1
\$580, or \$670-----	1	Per room:	
\$665-----	1	\$125-----	1
\$1,000-----	1	\$150-----	1
\$1,000-\$2,400-----	1	\$250-----	2
\$1,100, \$1,300, \$1,600, or \$2,000-----	1	\$300-----	1
\$1,200-----	1	\$350-----	1
\$1,250-----	1	\$375-----	1
\$1,400 or \$2,000-----	1		
\$1,500-----	1	Total-----	20
\$1,700-----	1		

The average monthly charge per room is shown below:

	Number of societies		Number of societies
\$4.00-----	1	\$10.50-----	1
\$5.00-----	1	\$10.70-----	1
\$6.00-----	2	\$11.00-----	2
\$6.40-----	1	\$11.50-----	1
\$6.75-----	1	\$11.97-----	1
\$7.00-----	1	\$12.50-----	3
\$8.00-----	2	\$14.00 or \$14.50-----	1
\$8.60-----	1		
\$9.00-----	1	Total-----	22
\$10.00-----	1		

#### Cooperative Practice

Of the societies reporting, only four give title to the tenant purchasing an apartment, while in the rest of the cases the society retains the title, the tenant being given merely a lease (in one case only a month-to-month lease). However, 12 societies allow the tenant to sublet his apartment, though one of these prohibits his receiving any profit from the transaction. In one building, 7 of the 17 apartments were rented to nonmembers, at the time the report was made. Fourteen societies allow the member to sell his apartment for what he can get, but in two

<sup>12</sup> According to location of apartment.

cases the society must be given first chance to buy it, and in one case the purchaser must be acceptable to the society. Two other societies allow the sale of apartments by the tenant-members but in one case the society sets the sale price and in the other the member is prohibited from making a profit on the sale. In five cases, if the member wishes to give up the apartment he must turn it over to the society, as he does not own the apartment, but merely has a lease.

To one comparing this situation with that existing in 1925, it is evident that many of the societies are backsliding as regards cooperative practice. Six societies have even adopted the practice of vote by shares, instead of one vote per member.<sup>13</sup>

### Residential Hotels

THERE are in Washington, D. C., two cooperative residential hotels. One of these was organized in 1922 by a group of women, some of whom had been residents of the Government Hotels.<sup>14</sup> The group and funds grew slowly but surely and in 1928 its apartment hotel was ready for occupancy.

The hotel is situated in one section of the Government office district. It is an 8-story building with 357 bedrooms. The first floor contains the office, lobby, writing room, small rooms for playing cards or entertaining guests, a small room with kitchenette attached for parties, and 20 rooms for transient guests. Male guests are admitted only to the first floor. The other floors have 48 bedrooms each, of which 44 have running water but no bath, 3 have private baths, and 1 has no water. There are two general lavatories on each floor, with bathtub and showers.

The tenant member must purchase a specified minimum of stock, which entitles her to the possession of a room. Monthly basic rents—for stockholders who take their meals in the hotel—are \$25 and \$40, according to whether the room has running water only, or private bath. Stockholders not taking meals at the hotel pay \$2.50 per month over the basic rent, nonstockholders \$7.50 more. Room rates for transients are higher. The rate for meals is \$25 per month for breakfast and dinner.

Elevator service is provided and there is a small assembly hall. A portico, which can be entered only from the inside hall, runs across part of the building. In the basement a room is set aside which is equipped with stationary tubs, ironing boards, etc., for the use of the guests who wish to do their own laundry work. On the roof of one of the two wings to the building there is a roof garden.

The second hotel project may be said to have grown out of the first, although the personnel of the cooperative group was different. This association was formed in 1928 and moved into its building December 1, 1929, after a good many difficulties. This is a 7-story building having 168 rooms with private bath and 56 suites of 2 rooms each, which share one bathroom.

Each member must purchase five shares of preferred stock and one share of common stock. There is no limit to the number of shares of preferred stock that may be held by any one person but no stock-

<sup>13</sup> Appendix A, p. 149, gives the essential practices for genuinely cooperative housing societies, as laid down by the Cooperative League of the U. S. A.

<sup>14</sup> Erected by the United States Government to provide living quarters for woman employees of the Government during the war.

holder may own more than one share of common stock and it is only the latter that carries the voting privilege. Thus it works out that each member has only one vote.

The cost to the member is \$500 per room, of which \$50 must be paid down and the balance may be paid in installments of \$10 per month. Monthly basic rents range from \$25 to \$36.50; nonstockholders pay \$5 over the basic rate.

The hotel has some 280 tenants of whom 129 are stockholders. As this hotel is situated just off the Union Station plaza and in the neighborhood of the House and Senate office buildings, it attracts many of the young women employed in that vicinity.

Elevator service, cafeteria, and a laundry room for the use of the guests are among the conveniences provided. There are an elaborate lobby, small writing nooks, and parlors for the entertainment of guests, as well as a ballroom. Meals are charged for at the rate of \$25 per month for breakfast and dinner.

The hotel is managed by a board of five directors, elected by the members.

### Insurance Societies

**T**HE bureau has data for the three consumers' cooperative insurance societies,<sup>15</sup> and for two mutual benefit societies which may also be classed, in a general way, under this head. The three insurance societies are the New Era Life Association, with headquarters at Grand Rapids, Mich., The Workingmen's Cooperative Association of New York City, and the Workmen's Furniture Fire Insurance Society, also in New York City.

The New Era Life Association has been doing business since 1897, and as its name implies, writes only life insurance. It is the official life insurance society of the consumers' cooperative movement in the United States. It is a fraternal insurance association, and the membership exercises its control through votes and also through a system of initiative, referendum, and "imperative mandate." It is governed by a "senate" of 13 members, but changes in fundamental methods and organization may be made only by majority vote of the more than 24,000 members.

The Workingmen's Cooperative Association writes life, health, and accident insurance on the assessment plan.

The Workmen's Furniture Fire Insurance Society was formed in 1872 and now has more than 50,000 members. It writes fire insurance only on household furniture, and then only up to a maximum of \$2,000. It operates on the assessment plan, and the rates average 10 cents per \$100. It is a nonstock organization; the capital consists of a guaranty fund which is formed from the membership fee of \$1 per \$100 of insurance, payable at the time of entrance into the society. If a member withdraws, his fee is returned to him. This association has more than 50 branches in various parts of the United States and is the official furniture fire insurance society of the consumers' cooperative movement.

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<sup>15</sup> There are many farmers' mutual insurance societies, but they are not included here.

The statement below shows summary data for these three societies:

Number of members.....	78, 819
Premium income, 1929.....	\$899, 903
New business written—	
1926.....	11, 248, 546
1927.....	8, 921, 280
1928.....	8, 208, 325
1929.....	8, 371, 060
Insurance in force, end of 1929.....	93, 047, 976

The Consumers' Mutual Aid Guild, located at Bloomington, Ill., is, as its name indicates, a mutual benefit association, which provides benefits for death and permanent total disability. It was established in 1927 and operates on the assessment plan, under the insurance laws of Illinois. The association charges a membership fee of \$5. Any person between the ages of 16 and 55 is eligible for membership, provided he is able-bodied and not afflicted with any chronic malignant disease. The members are to be organized into groups of 1,000 each. Of the membership fee, \$1 goes into the death benefit fund, which can be used only for the payment of death benefits. Each member pays \$1.50 every six months, to cover operating expenses. If a member dies, his family receives the full amount in the death benefit fund, which of course varies according to the number of members. Thus, if there are 200 members the benefit is \$200; if 300 members, \$300, etc. After each death the members are again assessed \$1 each, thus constituting a new benefit fund. It is stated that in practically all cases the benefit has been paid on the day the proof of death was received by the association. The guild now has 500 members. The largest consumers' society in Illinois has announced that it has arranged to give free membership in the guild to any of its members who are eligible and wish to join.

The Brotherhood of the Commonwealth is a fraternal annuity organization, established under the "benevolent orders" law of the State of New York, and has its headquarters in New York City. It was established in 1904. Any person of good repute is eligible for membership in the organization, on payment of \$10 initiation fee.

The whole plan is operated on the so-called "tontine" basis. Members are divided into age classes, on the basis of the year of birth. Thus, for instance, all persons born in 1890 are in one age class, all born in 1891 in another age class, etc.

The minimum "benefit dues" are \$5 a year, but as much more can be paid in as the member desires or as his circumstances in any year will permit, and his income increases proportionately. Eighty per cent of the amount paid in as dues is invested in safe, income-producing securities; this amount constitutes the "benefit fund." The other 20 per cent of dues is used to cover expenses.

The benefits received by the members are of two kinds: (1) Dividends, declared from the money earned by the investment of the dues; and (2) money inherited from the other members of the particular age class. (Dues thus inherited also draw dividends.) It is this second benefit which constitutes the "tontine" feature. It operates as follows: Whenever a member of a particular age class fails to pay dues for three consecutive years or dies, the remaining members of that class inherit the funds paid in by the dead or lapsed

member in proportion to the amount which each paid that year in dues. It is evident, therefore, that as the members die or lapse, with the passage of years, the inheritance and income of the dwindling number of survivors becomes greater and greater; in other words, the older a member lives to be, the greater his income. Thus, the last survivor in any class receives the entire income from the funds of that class, up to an amount not exceeding 100 times the amount paid in dues by him. When the last member dies, that age class is closed and the funds of that class revert to the general fund and the earnings therefrom are distributed to the members of the other age classes.

The plan provides that whenever, at the beginning of any year, the benefit fund is more than one hundred times the total dues of participating members, the excess shall be transferred to a special dividend fund and a special dividend, the rate of which is to be determined by the executive committee, shall be paid to the members of the 10 oldest year classes.

Provision can be made for certain designated relatives sharing in the fund after the death of a member, provided the relative is not more than 20 years younger than the member and is also a member of the organization. In such case the relative receives the earnings only on the deceased member's dues and not on his inheritances from the other members.

The brotherhood is governed by a supreme council composed of representatives from local councils, the latter being entitled to one representative for each 15 members. There is also an executive committee composed of the eight officers of the organization (president, two vice presidents, recording secretary, executive secretary and treasurer, and three trustees) and seven members elected by the supreme council from among the representatives from the local councils. All except the trustees serve for one year; the term of the latter is three years, one trustee being elected each year. Only the treasurer receives any compensation for services.

At the end of 1930, the brotherhood had a membership of 1,200, of whom 781 paid dues amounting to \$2,862.

## Chapter III.—Central Consumers' Organizations

### Commercial (Wholesale Societies)

**F**EDERATED cooperation, like local cooperation, has had a checkered career in the United States. During the boom period of cooperative effort during the war, attempts toward federation of the local societies were made and in 1920 at least 13 district wholesales and a number of organization bureaus were operating. The latter, especially, were very busy, and one of these during this period reported that it had organized on the average a store every two weeks for the preceding six months.

An attempt was made at that time to establish a country-wide wholesale society, which was called the National Cooperative Association. Whether, even had all the societies in operation joined the wholesale, there would have been a sufficient purchasing power to support a nation-wide wholesale is conjectural. The wholesale, however, was started before it had enough patronage to support it. General support was slow in coming, and in order to obtain the patronage that should have been supplied by local constituent societies the national society resorted to the organization of retail branches.

It also established wholesale branches at Chicago, Hoboken, N. J., and Seattle, Wash. The desire for rapid expansion led to the adoption of expensive stock sales methods, and this with other mistakes of unwise buying at a time of falling prices, too great overhead expense, and poor management, soon involved the wholesale in difficulties throughout the country. The Hoboken branch went into receivership late in 1920, and the Chicago branch early in 1921. The Tri-State Cooperative Wholesale Association (Pittsburgh) which had affiliated with the national wholesale at the time of the latter's organization went down in the general crash. In an endeavor to save the situation in Seattle, the aid of the Pacific Cooperative League (San Francisco) was enlisted. This was unsuccessful and the wholesale at Seattle had to be closed also. The Pacific Cooperative League, which had become financially involved in Seattle, was presently rent by dissension and charges both of mismanagement and fraud, and finally went into receivership in the spring of 1922. The Cooperative Wholesale Society of America, at St. Paul, which had remained independent throughout, also failed, leaving of all the district wholesales only the Central States Cooperative Wholesale Society (East St. Louis, Ill.), the Cooperative Central Exchange (Superior, Wis.), and the New England Cooperative Wholesale Association (Boston). The last mentioned was the central association for a group of Finnish cooperative stores which in 1919 had amalgamated to form one society, the United Cooperative Society of Boston. This latter society was dissolved into its constituent societies in 1922, and the wholesale was also given up.

The so-called "American Rochdale plan" of cooperation, practiced in Illinois, by which a large measure of control was vested in the wholesale association, the Central States Cooperative Wholesale Society, proved not to be feasible and was gradually modified as the depression set in. The wholesale was reorganized and gradually the local

organizations were made into autonomous societies on the Rochdale basis. Even reorganizations failed to save the situation and it was found necessary in 1925 to dissolve the wholesale.

Thus, by 1925, the cooperative wholesale movement had received a severe setback. Of the wholesale societies established before or during the World War only four remained in operation at the end of 1925—the Cooperative Central Exchange (Superior, Wis.), the Farmers' Union Jobbing Association (Kansas City),<sup>1</sup> the Farmers' Union State Exchange (Omaha), and the Associated Grange Wholesale<sup>2</sup> (Seattle).

In a number of instances failure was due to trying to run before learning to walk—the undertaking of wholesaling without being familiar with the particular problems in that field and before the local societies were in sufficient numbers educated to the patronage of the wholesale. In other cases difficulties of transportation of commodities over the long distances between the wholesale and the local stores made the business an unprofitable one, and this condition was intensified with the dropping out of many of the stores which failed during the depression period.

During the past few years, however, a gradual revival of interest in cooperative wholesaling has taken place. In 1923 the Ohio Farm Bureau Federation established the Ohio Farm Bureau Service Corporation; in 1925 the Farmers' Union of Iowa established the Farmers' Union Service Association. The development of local associations selling gasoline, motor oils, and other petroleum products has led to the establishment of several wholesale purchasing organizations for that branch of the movement, among them the Illinois Farm Supply Co., the Union Oil Co. (Cooperative), the Minnesota Co-op Oil Co.,<sup>3</sup> and the Nebraska Farmers' Union Oil Association.

After the failure of the Central States Cooperative Wholesale Society, a few of the Illinois societies which were situated in the same section of the State began in a small way the pooling of their orders for certain staple commodities such as sugar, coffee, and flour, and this has been continued in increasing volume ever since. Some of the societies in the Eastern States also tried this plan, with such success that in the spring of 1929 they felt that they had an assured patronage of sufficient amount to justify the formation of a wholesale society. This new organization, the Eastern States Cooperative Wholesale, has thus far done only a jobbing business; no warehousing is done, but this will undoubtedly be undertaken as soon as conditions warrant.

At a recent board meeting of the Cooperative League of the U. S. A. the question of the advisability of forming a national wholesale society was discussed. Although the meeting agreed that it would be a long time before central warehousing would be practicable, certain advantages of federation were pointed out. Among these would be the elimination of the duplication involved in the packing of goods (often by identical manufacturers) for the different district wholesales, each of which has its own cooperative labels; the possibility of valuable research work by a national wholesale; and the central organization of insurance, publicity, etc. The matter was brought up for further discussion at the 1930 cooperative congress.

<sup>1</sup> At that time this organization handled groceries and clothing, in addition to general farm supplies. It is understood, however, that the consumers' lines have been discontinued.

<sup>2</sup> Now the Grange Cooperative Wholesale.

<sup>3</sup> Name changed in 1930 to Midland Cooperative Oil Co.

## Services Rendered by Wholesale Societies

THE table following shows the lines handled by the different wholesale societies reporting. No warehousing is done by the Grange Wholesale or the Eastern Wholesale, but the other consumers' organizations carry large stocks of goods.

As the table shows, cooperative production by wholesale societies in this country is extremely limited.

TABLE 33.—LINES OF BUSINESS OF COOPERATIVE WHOLESALERS, AND OTHER SERVICES RENDERED

State and city	Name of wholesale	Goods handled	Goods manufactured	Other services
Iowa: Des Moines.....	Farmers' Union Service Association.	General merchandise, flour, feed, coal, salt, farm machinery, hardware, petroleum products.	-----	
Minnesota: Minneapolis.	Minnesota Co-op Oil Co.	Petroleum products and bulk station equipment.	-----	Auditing and bookkeeping. <sup>1</sup>
Missouri: Kansas City..	Union Oil Co. (Co-operative).	Petroleum products.....	Lubricating oil.	
Nebraska: Omaha.....	Farmers' Union State Exchange.	Groceries, clothing, coal (car lots), machinery, fencing, paint, produce, tires, petroleum products.	Feed.....	
New York: New York..	Eastern Co-operative Wholesale.	Groceries, flour, feed, coal..	-----	
Ohio: Columbus.....	Ohio Farm Bureau Service Co.	Potatoes, coal, fertilizer, feed, seed, twine, salt, oil, tires.	-----	
Washington: Seattle....	Grange Co-operative Wholesale.	Groceries, hardware, feed....	-----	Auditing and bookkeeping. <sup>2</sup>
Wisconsin: Superior....	Cooperative Central Exchange.	Groceries, flour, feed, paint, nails, fencing, roofing.	Bakery goods.	Educational department; auditing. <sup>3</sup>

<sup>1</sup> Used by 15-20 societies.

<sup>2</sup> Used by 9 societies.

<sup>3</sup> Used by 90 societies.

Most of the wholesale societies leave the educational work to the district leagues organized for that particular purpose. The Co-operative Central Exchange, however, has an active educational department with a full-time director. For the past 10 years it has conducted an annual course lasting from 6 to 8 weeks, primarily for the purpose of training employees and managers for cooperative societies. Local societies may obtain fidelity bonds at a greatly reduced rate, for those of their employees who handle money, through the bond service of the exchange. As noted in the table, this organization also has a department which furnishes auditing service to some 90 societies, and is able to advise these local associations of danger points and weaknesses revealed by its examination of their business. It thus greatly assists in keeping its member societies in a stable and healthy condition.

Recently it has inaugurated a new service—that of giving technical advice. Feeling that “if the cooperatives are to maintain a basis for further expansion, successful competition with private business, and economic benefit to their members,” their standard of efficiency must be raised considerably, it appointed one of its experienced employees as technical adviser. The adviser visits each store of the organization, making a study of it and of local conditions, giving special attention to such points as the type of community, the nationalities and the industries therein; the location of the store with

regard to the membership, the transient trade, the business center, industry, etc.; the condition of the grounds and store and other buildings, and the facilities provided; the store equipment and its arrangement in relation to attractiveness and efficiency; the delivery equipment, the cleanliness and general appearance of the store; and the merchandise handled, and its suitability, and the inventory. Recommendations, based upon experience, are made on each point.

Auditing and bookkeeping services are also furnished to their member societies by the Minnesota Co-op Oil Co. and the Grange Cooperative Wholesale.

### Organization of Wholesale Societies

IN MOST instances these central commercial organizations are owned by the constituent local societies which hold the capital stock of the wholesale. An exception to this is the Ohio Farm Bureau Service Co. which is owned by the Ohio Farm Bureau Corporation. When the Farmers' Union State Exchange (Omaha) was organized it was owned by the Farmers' Union of Nebraska. The Exchange was reorganized in 1919, however, and put on a basis more nearly conforming to the generally accepted cooperative practice, but still accepts as stockholders individual members of the Farmers' Union, as well as local societies.

The policies of cooperative wholesale societies are controlled by the general meeting of representatives of the member societies. In the meetings of the Farmers' Union State Exchange and the Minnesota Co-op Oil Co. each shareholder has one vote. In the meetings of the Eastern Cooperative Wholesale and the Cooperative Central Exchange the member societies' representation depends on their membership. The Cooperative Central Exchange allows each member society one delegate for each 50 of its members, but in order to exercise these voting rights it must hold one share of the Exchange stock for every 50 members.

### Business Operations

TABLE 34 shows in detail the status of each of the wholesales reporting, as of December 31, 1929.

TABLE 34.—STATUS OF COOPERATIVE WHOLESALE SOCIETIES, AS OF DECEMBER 31, 1929

Society	Year of organization	Number of affiliated societies	Retail branches of wholesale	Unaffiliated customers	Number of employees	Share capital
Cooperative Central Exchange.....	1917	90	-----	34	55	\$83, 122
Eastern Cooperative Wholesale.....	1929	10	-----	35	2	1, 700
Farmers' Union Service Association.....	1925	-----	2	118	9	( <sup>1</sup> )
Farmers' Union State Exchange.....	1914	180	10	-----	38	323, 450
Grange Cooperative Wholesale.....	1919	6	1	8	3	30, 040
Minnesota Co-op Oil Co.....	1927	45	-----	20	5	( <sup>1</sup> )
Ohio Farm Bureau Service Co.....	1923	65	21	-----	25	45, 000
Union Oil Co. (Cooperative).....	1929	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Total.....		396	34	215	137	483, 312

<sup>1</sup> Nonstock association.

<sup>2</sup> No data.

TABLE 34.—STATUS OF COOPERATIVE WHOLESALE SOCIETIES, AS OF DECEMBER 31, 1929—Continued.

Society	Reserves	Sales, 1929	Net profit, 1929	Patronage dividends	Interest on share capital
Cooperative Central Exchange.....	\$15,492	\$1,755,627	\$35,798	\$28,088	\$4,710
Eastern Cooperative Wholesale.....	2,675	<sup>1</sup> 203,756	1,365		
Farmers' Union Service Association.....		549,565	1,822		( <sup>2</sup> )
Farmers' Union State Exchange.....	40,619	2,001,725	50,583	22,068	19,454
Grange Cooperative Wholesale.....		116,721	1,074		
Minnesota Co-op Oil Co.....		448,013	7,798		208
Ohio Farm Bureau Service Co.....	76,522	5,744,189	207,469	175,344	2,700
Union Oil Co. (Cooperative).....	( <sup>3</sup> )	<sup>4</sup> 304,261	4,922	( <sup>5</sup> )	( <sup>6</sup> )
Total.....	135,308	11,128,857	309,851	225,500	27,070

<sup>1</sup> No data.<sup>2</sup> Nine months.<sup>3</sup> 5 per cent; amount not reported.<sup>4</sup> Ten months.<sup>5</sup> 15 per cent of gross profits; amount not reported.<sup>6</sup> 8 per cent; amount not reported.

In 1929 the Cooperative Central Exchange manufactured bakery goods valued at \$101,156.

### Operating Expenses

THE operating expenses of the three wholesales handling merchandise and one society dealing in gasoline and motor oils, which furnished reports for 1929, are shown in the table below. As is seen, the average for the merchandise societies is 8.8 per cent of sales, and for the central oil association, 3.2 per cent.

TABLE 35.—OPERATING EXPENSES OF COOPERATIVE WHOLESALE SOCIETIES, 1929

Item	Per cent of sales expended for specified item by—			
	Merchandise societies (3)			Gasoline association
	Low rate	High rate	Average rate	
Sales expense:				
Wages.....	3.0	6.4	4.1	1.6
Advertising.....	.4	1.1	.6	( <sup>1</sup> )
Wrappings.....	.6	.6	.5	
Total.....	4.1	6.4	5.2	1.6
Miscellaneous delivery expense (except wages)	.1	.2	.2	
Rent.....	.3	.4	.1	( <sup>1</sup> )
Light, heat, power, and water.....	.1	.3	.3	
Insurance and taxes.....	.1	.3	.2	
Interest on borrowed money.....	.2	.2	.2	.1
Office supplies and postage.....	.2	.3	.3	.1
Telephone and telegraph.....	.1	.3	.2	.1
Repairs.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Depreciation.....	( <sup>1</sup> )	.4	.3	( <sup>1</sup> )
Bad debts.....	.1	.3	.2	
Miscellaneous.....	.7	2.1	1.8	1.3
Grand total.....	6.4	9.7	8.8	3.2

<sup>1</sup> Less than one-tenth of 1 per cent.

## Trend of Development

TABLE 36 shows the development of the various wholesale societies for years for which the bureau has data.

TABLE 36.—DEVELOPMENT OF COOPERATIVE WHOLESALE SOCIETIES

Society	Year	Sales	Net profit	Patronage dividends	Interest on share capital	
Cooperative Central Exchange.....	1917	\$25,574	\$268	(1)	(1)	
	1918	132,423	2,063	(1)	(1)	
	1919	313,664	7,330	(1)	(1)	
	1920	409,591	6,798	(1)	(1)	
	1921	312,347	3,499	(1)	(1)	
	1922	337,567	1,183	(1)	(1)	
	1923	504,177	5,181	(1)	(1)	
	1924	613,215	5,973	(1)	(1)	
	1925	835,532	8,869	\$5,506	\$1,451	
	1926	1,048,293	11,648	7,722	1,929	
	1927	1,255,676	18,335	13,752	2,632	
	1928	1,517,813	23,894	17,296	3,681	
	1929	1,755,627	35,798	28,088	4,710	
	Farmers' Union Service Association.....	1926	558,469	1,808	-----	(2)
		1927	762,789	2,602	-----	(2)
1928		649,596	921	-----	(2)	
1929		549,565	822	-----	(2)	
Farmers' Union State Exchange.....		1920	2,387,972	(1)	(1)	(1)
	1921	1,468,133	<sup>3</sup> 83,000	-----	(1)	
	1922	1,148,133	<sup>3</sup> 24,532	-----	(1)	
	1923	1,335,602	9,655	-----	(1)	
	1924	1,347,605	20,647	-----	(1)	
	1925	1,521,312	36,633	-----	13,543	
	1926	1,512,024	34,222	-----	26,576	
	1927	1,618,288	49,096	-----	26,311	
	1928	1,774,143	37,930	12,136	19,568	
	1929	2,001,725	50,583	22,068	19,454	
	Grange Cooperative Wholesale.....	1920	53,370	(1)	(1)	(1)
		1921	44,254	(1)	(1)	(1)
		1922	156,122	(1)	(1)	(1)
1923		135,161	(1)	(1)	(1)	
1924		246,096	(1)	(1)	(1)	
1925		102,677	(1)	(1)	(1)	
1926		(1)	(1)	(1)	(1)	
1927		105,880	1,786	-----	-----	
1928		109,862	1,321	-----	-----	
1929		116,721	1,074	-----	-----	
Minnesota Co-op Oil Co.....	1927	269,863	3,473	-----	-----	
	1928	417,956	3,926	-----	240	
	1929	548,013	7,798	-----	206	
	Ohio Farm Bureau Service Co.....	1926	4,639,928	135,126	130,827	1,500
1927		4,578,086	112,900	98,935	2,100	
1928		4,470,273	134,244	125,921	2,352	
1929		5,744,189	207,469	175,344	2,700	

<sup>1</sup> No data.<sup>2</sup> 5 per cent; amount not reported.<sup>3</sup> Loss.

## "Real" Sales of Identical Societies

Table 37 shows the trend of sales development of the three societies for which the bureau has data for all 10 years since 1920 giving, first, the actual average money sales and, second, the "real" sales, taking into consideration the trend of wholesale prices.

As it shows, actual average money sales of these societies dropped considerably from 1920 to 1921, and experienced a further fall in 1922. An improvement took place in 1923, however, which has continued through 1929, the sales in 1929 reaching a point about 25 per cent above the 1920 level. The column of "real" sales shows that, notwithstanding the great decline in wholesale prices, the real business of the wholesales showed an increase from 1920 to 1921. A decrease was experienced in the following year, but this was more than overcome the next year, and a remarkable and continuous rise has taken

place in real sales each successive year, the figure in 1929 being more than twice the 1920 figure.

TABLE 37.—TREND OF ACTUAL AND "REAL" SALES OF IDENTICAL WHOLESALE SOCIETIES, 1920 TO 1929

Year	Index numbers of wholesale prices	Average sales of identical wholesale societies		
		Actual amount	"Real" sales	
			Amount	Index numbers
1920.....	100.0	\$950,273	\$950,273	100.0
1921.....	63.2	608,245	962,413	101.3
1922.....	62.6	547,274	874,240	92.0
1923.....	65.2	658,233	1,009,560	106.2
1924.....	63.5	735,639	1,158,487	121.9
1925.....	67.0	819,840	1,223,642	128.8
1926.....	64.8	888,199	1,370,677	144.2
1927.....	61.8	993,281	1,607,251	169.1
1928.....	63.3	1,172,082	1,851,630	194.9
1929.....	62.5	1,291,358	2,066,173	217.4

### Educational (Cooperative Leagues)

#### Cooperative League of the U. S. A.

**I**N 1916 a central educational body was formed, with headquarters in New York City. This society was incorporated in 1922 as The Cooperative League of the U. S. A. According to an account of the league published in its 1930 yearbook, "for three or four years this league was little more than a propaganda agency subsidized exclusively from private funds." The consumers' cooperative movement in this country was at that time very weak and the few scattered societies had little contact with or knowledge of each other.

As a start toward a national cooperative movement the league called a convention which was held in Springfield, Ill., in 1918, at which there was a small representation from the local societies. Since that time congresses have been held every two years and an increasing number of societies has become interested in federated action, so that the league may now be said to be really a federation of the local societies and to be supported by them. The league admits into membership only consumers' societies, and is gradually inaugurating a set of cooperative standards to which, eventually, societies will be required to conform in order to obtain admission to membership.

The latest membership figures available are for 1928, at which time the league had in affiliation 140 societies (of which 125 were store or distributive societies, 3 were housing societies, 7 were credit organizations, 4 were insurance associations, and 1 was a service society), besides 1,000 individual members.<sup>4</sup> The constituent societies had a combined membership of 125,133 and annual sales of \$20,343,150.

The league has five employees.

<sup>4</sup> Figure is for 1929.

Member societies pay dues to the national organization on the basis of their membership. They are represented in the meetings of the central body by elected delegates, stores and housing societies being entitled to one vote for each 500 members, and insurance and credit societies one vote for each 3,500 members.

The league carries on general educational work in the theory and practice of cooperation, writing articles for the general press, furnishing speakers for meetings of local societies and lecturers for the cooperative schools and institutes and for colleges and universities which offer courses in cooperation or economics. It also furnishes legal and auditing services for member societies, besides doing some organization work. It has issued a number of publications on the various phases of cooperation and on correct cooperative practice and publishes a monthly magazine.

### District Leagues

THERE are also three district educational leagues, and others will be formed as cooperative development warrants. If there is no district league in a given region, a local society may affiliate directly with the national league, but if there is a district league, local societies are expected to affiliate with it, becoming members of the national body through the medium of the district organization.

#### Northern States' Cooperative League

The oldest of the district leagues is the Northern States' Cooperative League, organized in March, 1922, with headquarters in Minneapolis, Minn. At the end of June, 1929, this league had in affiliation 102 societies and 729 individual members. These societies included 2 credit unions, 1 insurance society, 1 boarding house, and 98 distributive societies (1 wholesale society, 80 stores, 16 buying clubs, and 1 milk distributing society). These constituent societies have an aggregate membership of 50,300 and an annual business of about \$13,500,000.

The league, in addition to its general educational work, has given several training courses for the employees of cooperative societies. It also furnishes speakers and films for cooperative assemblages, carries on organization work, and furnishes auditing service. It acts as an employment exchange for cooperative societies which need employees, and workers who wish to obtain positions in the cooperative movement.

Until recently this league has issued a yearbook covering the development of the societies in its district, along with articles on the various phases and problems of the cooperative movement. By action of the 1928 cooperative congress, however, the yearbook was made national in scope, although its editing was still left to the Northern States' Cooperative League.

The league has three employees.

#### Eastern States Cooperative League

The Eastern States Cooperative League, with headquarters in New York City, was formed in 1925. Its membership at the beginning of 1930 included 40 individuals and 26 societies (21 distributive societies, 3 housing organizations, 1 credit society, and 1 insurance

society). These affiliated societies have a combined membership of about 14,000 and a yearly business of approximately \$4,500,000.

The league carries on general educational work, besides holding training courses for cooperative employees and summer institutes for the membership generally. It furnishes speakers for meetings, and supplies its members with pamphlets on cooperative subjects. It does organization and auditing service for local groups. The Eastern Cooperative Wholesale Society was the direct outgrowth of the joint buying carried on by the local societies through the league.

Member societies have one vote for each 300 members in the case of store societies and housing societies, and one vote for each 3,500 members in the case of insurance and credit societies.

This league has one employee.

#### Central States Cooperative League

The Central States Cooperative League was formed in April, 1926. Its headquarters are in Bloomington, Ill. It has in membership 250 individuals and 18 societies (17 distributive societies and 1 mutual benefit organization). The member societies have a combined membership of 6,780 and annual sales of approximately \$2,600,000.

This league, in addition to its general educational work, holds a summer institute, carries on organization work, supplies speakers and pamphlets, and furnishes auditing service. It also carries on joint buying of staple articles for its member societies. A printing plant is operated by the league, which serves both the league and its members at the cost of time and material used.

The constituent societies have one vote for each 100 members or major fraction thereof.

The league has three employees.

#### Other Federations

##### Mesaba Range Cooperative Federation

THE societies of the Northern States League district have two informal organizations. One of these is the Mesaba Range Cooperative Federation, a loose organization of some dozen members—mainly Cooperative Central Exchange societies located in the Mesaba Range district, in northeastern Minnesota.

This organization was inaugurated to knit the societies together more closely and to form a medium for the discussion of their common problems. Some joint buying has also been done by these associations. This federation was also the sponsor and moving spirit in the formation of the cooperative creamery at Virginia, Minn., which is owned by the cooperative stores of the district.

One of the activities of the federation has been the arrangement of an annual picnic participated in by the cooperators of the district.

##### Marquette District Cooperative League

The Marquette District Cooperative League was organized about 1926, to serve as a clearing house for the problems of the cooperative societies in the Marquette district of Michigan. Its work lies mainly in carrying on educational activities and in studying the possibilities and methods of expansion into new areas and new lines of goods or

services. Among its activities has been the inauguration of a series of meetings of directors and employees of the societies, at which matters and problems affecting both parties were discussed.

But perhaps the main accomplishment of the league has been the formation of the Marquette District Park Association. Only cooperative stores are eligible to membership in the association. The latter in 1929 purchased a tract of land on the shore of Shag Lake, one of the many lakes in that region. This lake is about a mile long and is located about  $2\frac{1}{2}$  miles from Princeton, Mich. Some of the land has been cleared, a small kitchen and a dressing room have been built, and the place will be used for picnics, camping, and recreation generally.

## CHAPTER IV.—Credit and Banking Societies

### Credit Unions

FOR the average wage earner, with no banking connections and no security to offer, but urgently in need of money, the credit union appears to offer a very good solution of the credit problem. Such a person can rarely obtain help from the ordinary banking institutions. Of recent years a small and increasing number of banks have added "character loans" to their field, but these banks are as yet too few and scattered to form a considerable factor. Other credit organizations, which specialize in small loans, include the remedial loan societies, the Morris Plan banks, and the personal finance companies. All of these charge interest rates higher, and in some instances very much higher, than those charged by the credit unions.<sup>1</sup> In times of financial stress, many small borrowers know of only two avenues of relief—charity and the loan shark—and in some cases may be forced to resort to one or the other, for, as a recent study of consumers' credit points out, "in the small-loan field the demand for credit far outruns the present available supply."<sup>2</sup>

The credit union, however, appears to be a very successful means of meeting this situation. It is primarily for that small borrower whose need is greatest. It not only offers a welcome avenue of credit but has an enviable record of promotion of thrift. Through the establishment of habits of regular saving—small though the savings may be—it turns thriftless, creditless, and moneyless persons into saving, stable members with good standing in the community.

Only members of the credit union are eligible to obtain loans from it, but once a member, the applicant can obtain whatever sum he needs, at a low rate of interest. As a borrower from the credit union he is neither an exploited victim nor an object of charity. The transaction is on a strictly business basis. All members are on the same level, with the same rights and powers, and receive the same treatment.

The cooperative credit society is thus absolutely democratic. It is filling a real need, through simple machinery, and is doing this at very little cost (expense of operation during 1929 averaged only 1.79 per cent of the total loans granted).

The bureau's study indicates that credit societies are generally successful and that losses from failure of borrowers to repay loans are extremely small.

The effectiveness of these societies as "poor men's banks" is indicated by the growth of the movement, shown by data collected as

<sup>1</sup> The recent study by Evans Clark (*Financing the Consumer*) gives (p. 219) the following annual rates charged by these agencies: Credit unions, 6 to 18 per cent; personal loan departments of banks, 9 to 23 per cent; industrial banks, 17 to 35 per cent; remedial loan societies, 12 to 36 per cent; personal finance companies, 30 to 42 per cent. The rates given for the credit unions are the maximum rates allowed under the State credit union law; data collected by the United States Bureau of Labor Statistics indicated that the most common rates actually charged by credit unions were 5.9, 6, 8, and 12 per cent.

<sup>2</sup> Clark, Evans: *Financing the Consumer*. New York, Harper & Bros., 1930, p. 211.

part of the bureau's general study of the cooperative movement. In 1925, when the bureau's previous study was made, there were only 284 societies of this type in existence; by the end of 1929 the number had risen to 974. During the same period the membership has increased from 107,779 to 264,908. Their resources have more than doubled—the paid-in share capital has grown from \$10,706,099 to \$24,065,407 and the reserves from \$973,873 to \$2,079,450; the savings deposited with these societies have increased from \$4,700,768 to \$9,017,786. During the year 1929 the loans granted by these societies to their members reached the sum of more than \$54,000,000.

### Characteristics of Credit Unions

THE following features are characteristic of credit unions:

1. *Membership open to persons of good character, who have a community of interest with the credit union group.* The latter qualification is added because, in the credit society, it is essential for the financial soundness of the society that the members shall know each other well enough to be able to judge of their reliability. Any restrictions, such as limitation of the field of membership to the employees of a certain firm, to a named organization, parish, locality, etc., are made with this end in view.<sup>3</sup>

2. *Low membership fees, and shares of low denomination which may be paid for in installments.* No one need be debarred by poverty from joining a credit union.

3. *Democracy in government, with officers and committees elected by and responsible to the members.* Also, officers, directors, and committee members usually serve without pay. Thus, no one makes any money out of the necessities of the members.

4. *One vote per member, irrespective of the number of shares held. No proxies.*

5. *Loans to members only.* All members' applications receive equal treatment by the committee, no favors being either granted or withheld because of the members' holdings in the society. In case the funds on hand are not sufficient to cover all the loans approved, preference is given to the smaller loans, on the ground that the need of such borrowers is likely to be greater.

6. *Loans to directors, officers, and committee members are generally prohibited.* This is done to obviate diversion of funds or abuse of office by such persons.

7. *Loans made only for productive purposes and urgent needs.*<sup>4</sup>

8. *Amount of loan based, not on the member's investment in the society, but on his needs and character.* Loans may usually be obtained without security, in amounts up to \$50.

9. *Loans at low rates of interest, and interest generally payable only on unpaid balances.*

10. *Dividends payable on all fully paid shares of stock.* Thus, both borrowers and lenders participate in the earnings.

<sup>3</sup> In many instances these restrictions are imposed by the State credit union law. (For provisions of these laws, see p. 113.)

<sup>4</sup> But this, in practice, is usually very liberally construed. Under some circumstances a loan might even be granted to enable the borrower to take a much-needed vacation—such a purpose being considered both necessary and productive.

## Number and Age of Credit Unions Reporting

THE data regarding the credit societies were gathered by the questionnaire method in all cases except those in the States of Iowa, Massachusetts, Michigan, Minnesota, Missouri, and New York. In those States data on substantially the same points as covered by the present study are collected and published by the State officials in charge of the banking department, and in such cases the information was obtained from these officials, in order to avoid duplication of work.

It should be borne in mind that the data are as of December 31, 1929. The bureau has record of numerous societies started since January 1, 1930, but such were of course omitted from this study.

As the table below shows, of the 974 credit unions known to have been in existence at the end of 1929, the bureau has data for 838, or 86 per cent.

The distribution of credit unions, by States, is shown in Table 38.

TABLE 38.—NUMBER OF CREDIT UNIONS IN OPERATION AT END OF 1929 AND NUMBER REPORTING FOR THAT YEAR, BY STATES

State	Total number	Number reporting	State	Total number	Number reporting	State	Total number	Number reporting
Alabama.....	39	23	Louisiana.....	6	5	Oregon.....	3	3
Arizona.....	2	1	Maine.....	2	1	Pennsylvania.....	2	1
Arkansas.....	3	1	Maryland.....	3	3	Rhode Island.....	13	9
California.....	19	16	Massachusetts.....	299	299	South Carolina.....	5	1
Colorado.....	2	1	Michigan.....	29	20	Tennessee.....	15	12
Connecticut.....	1	1	Minnesota.....	43	43	Texas.....	12	4
District of Columbia.....	1	1	Missouri.....	43	43	Utah.....	5	4
Florida.....	1	1	Montana.....	1	1	Virginia.....	30	18
Georgia.....	39	39	Nebraska.....	7	5	Washington.....	6	6
Illinois.....	41	32	New Hampshire.....	3	2	West Virginia.....	9	6
Indiana.....	32	19	New Jersey.....	11	7	Wisconsin.....	14	9
Iowa.....	36	36	New York.....	125	125			
Kansas.....	10	9	North Carolina.....	46	21			
Kentucky.....	10	8	Ohio.....	3	2			
			Oklahoma.....	3				
						Total.....	974	838

The cooperative credit movement continues to grow at a pace far in excess of that shown by the other phases of the cooperative movement. The passage of credit union laws in the various States has given a great impetus to the movement, but undoubtedly the very simplicity of the credit union plan has been one of the greatest factors in this growth.

Of the 756 societies for which data are available as to year of organization, less than 6 per cent were formed prior to 1916. In the 9-year period 1916 to 1924, 153 credit unions (20 per cent) were started, mainly in the old credit union States of Massachusetts and New York. In the five years 1925 to 1929, 559 societies (74 per cent of the total) were formed. In this last period, however, while the cooperative credit movement continued to grow in Massachusetts and New York (but especially the former), much of the development was due to organization in States in which new credit laws had just been enacted for the first time. Of the 559 societies formed during the 5-year period, 283 were in States in which cooperative credit was a new thing. Details are shown in the following table.

TABLE 39.—DISTRIBUTION OF CREDIT SOCIETIES ACCORDING TO YEAR IN WHICH ESTABLISHED

State	1900-1910	1911-1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	Total
Ala.														1	18	4	23
Ariz.									1								1
Ark.															1		1
Calif.												1	1	2	6	6	16
Colo.													1				1
Conn.													1				1
Dist. of Col.																1	1
Fla.											1						1
Ga.												1	3	5	9	3	21
Ill.												1	4	6	13	3	32
Ind.										1		8	4	1	3	2	19
Iowa												3	1	6	14	3	27
Kans.														1	4	9	9
Ky.										1	1						5
La.												3			2		8
Me.								1									1
Md.																2	3
Mass.	2	28	3	3	2	2	2	20	7	3	1	5	116	67	28	7	289
Mich.													6	4	7	3	20
Mo.						1								1	20	15	43
Mont.																	1
Nebr.																4	5
N. H.	1															1	2
N. J.											3					3	7
N. Y.		12	2	6	8	11	15	16	14	4	12	7	4	3	9		123
N. C.			1	1						1		1	2		14	1	21
Ohio.															1		2
Oreg.															3		3
Pa.																1	1
R. I.		1							1					1	3	1	9
S. C.												1		1			1
Tenn.											1		2		7		12
Tex.														1		4	4
Utah																1	4
Va.										1				1	2	5	18
Wash.										2	1	1	1	2	5	1	6
W. Va.											1	1	1	1	2		6
Wis.										1				3	4	1	9
Total.	3	41	6	10	10	14	18	37	23	12	23	37	150	113	183	76	756

### Membership

RESTRICTIONS of some sort upon the membership are very common among credit unions. In many cases the restriction is imposed by the credit union law of the State.<sup>5</sup> A common provision of the law is that the membership of a credit union shall be limited to a group having a common bond of occupation or association, or to persons residing within a well-defined neighborhood, community, or rural district. This is done in order that the credit union group may be composed of persons of like interests. It is desirable, for the sake of financial safety, that the members in a credit union know each other and have common interests, and such membership restrictions are made to insure this homogeneity.

Some interesting data were collected as regards membership. No information could be had on this point for the credit unions in the

<sup>5</sup> Of the 32 States which have passed credit union legislation, only 15 (California, Georgia, Indiana, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, North Carolina, Oregon, Rhode Island, Tennessee, Utah, Virginia, and Wisconsin) place no limitation upon the field from which the credit union membership may be drawn.

six States for which data were obtained through the State officials. The reports for 280 credit unions in the other States show the following:

TABLE 40.—MEMBERSHIP RESTRICTIONS OF 280 CREDIT UNIONS

Membership restricted to—	Number of societies	Membership restricted to—	Number of societies
<b>Employees of specified company:</b>		<b>Members of specified labor organizations:</b>	
Mining companies.....	4	Railway clerks.....	22
Railroads.....	40	Machinists.....	2
Railroads (shop employees).....	5	Electrical workers.....	1
Railroads (office employees).....	2	Street-railway employees.....	1
Railway-express companies.....	5	<b>Total.....</b>	<b>26</b>
Street railways.....	3		
Telephone and telegraph companies.....	7	<b>Specified occupations:</b>	
Power and light companies.....	4	Railway mail employees.....	5
Department stores.....	4	Farmers.....	2
Mail-order companies.....	2	Telephone workers.....	1
Newspapers.....	2	<b>Total.....</b>	<b>8</b>
Motion-picture studio.....	1		
Milk company.....	1	<b>Residents of specified locality.....</b>	<b>6</b>
Insurance company.....	1	Other, miscellaneous restrictions.....	9
Manufacturing companies—		No restriction.....	9
Cotton goods.....	2	<b>Grand total.....</b>	<b>280</b>
Other.....	10		
Other companies, business not known.....	10		
<b>Total.....</b>	<b>103</b>		
<b>Federal employees.....</b>	<b>108</b>		
<b>Municipal employees:</b>			
Teachers.....	3		
Firemen.....	4		
Other.....	4		
<b>Total.....</b>	<b>11</b>		

The same data, arranged according to occupational distribution, as far as known, are shown in the table below:

TABLE 41.—OCCUPATIONAL DISTRIBUTION OF CREDIT UNION MEMBERSHIP

Membership restricted to—	Number of societies	Membership restricted to—	Number of societies
Mine workers.....	4	Mercantile employees.....	6
Railroad employees.....	74	Newspaper employees.....	2
Railway express employees.....	5	Machinists.....	2
Street-railway employees.....	4	Farmers.....	2
Telephone and telegraph employees.....	8	Factory employees.....	12
<b>Municipal employees:</b>		Other industrial employees.....	10
Teachers.....	3	Miscellaneous employments.....	4
Firemen.....	4	<b>Total.....</b>	<b>256</b>
Other.....	4		
<b>Federal employees:</b>			
Post-office employees (including rail- way-mail employees).....	75		
Other.....	38		

The 828 credit unions which gave data as to the number of members had an aggregate membership of 264,908, an average of 320 members per society. The data by States are shown in Table 42. It is seen that, of the States having more than one credit union, the New Hampshire societies have the largest average membership, those of Maine and Rhode Island being next in size.

TABLE 42.—AGGREGATE AND AVERAGE MEMBERSHIP OF CREDIT UNIONS, DECEMBER 31, 1929, BY STATES

State	Number of societies reporting	Members		State	Number of societies reporting	Members	
		Total number	Average per society			Total number	Average per society
Alabama.....	23	2,263	98	Montana.....	1	150	150
Arizona.....	1	49	49	Nebraska.....	5	737	147
Arkansas.....	1	26	26	New Hampshire.....	2	4,042	2,021
California.....	16	3,079	192	New Jersey.....	7	2,937	420
Colorado.....	1	459	459	New York.....	125	70,598	565
Connecticut.....	1	277	277	North Carolina.....	21	1,136	54
District of Columbia.....	1	580	580	Ohio.....	2	276	138
Florida.....	1	226	226	Oregon.....	3	1,120	373
Georgia.....	39	7,029	180	Pennsylvania.....	1	52	52
Illinois.....	32	8,230	257	Rhode Island.....	9	9,062	1,007
Indiana.....	19	3,864	203	South Carolina.....	1	98	98
Iowa.....	27	2,723	101	Tennessee.....	12	2,407	201
Kansas.....	9	537	60	Texas.....	4	247	62
Kentucky.....	8	1,342	168	Utah.....	4	443	111
Louisiana.....	5	1,215	243	Virginia.....	18	5,984	332
Maine.....	1	1,286	1,286	Washington.....	6	895	149
Maryland.....	3	831	277	West Virginia.....	6	1,591	265
Massachusetts.....	299	107,044	358	Wisconsin.....	9	1,697	189
Michigan.....	20	3,963	198				
Minnesota.....	43	8,943	208	Total.....	828	264,908	320
Missouri.....	42	7,470	178				

Although small groups are considered more nearly ideal for credit union purposes, some of the most prosperous and successful of the societies are those with a very large membership. The table below shows, by States, the number of organizations in each membership group, for all the States except Massachusetts and Minnesota for which data for individual societies were not available.

TABLE 43.—NUMBER OF CREDIT UNIONS WITH EACH CLASSIFIED NUMBER OF MEMBERS, BY STATES

[Data for individual societies not available for Massachusetts and Minnesota]

State	Number of credit unions having specified membership								Total	
	Less than 25	25 and under 50	50 and under 100	100 and under 200	200 and under 500	500 and under 750	750 and under 1,000	1,000 and under 2,000		2,000 and over
Alabama.....	1	9	7	3	3					23
Arizona.....		1								1
Arkansas.....		1								1
California.....	1	2	5	3	4	1				16
Colorado.....					1					1
Connecticut.....					1					1
District of Columbia.....					1	1				1
Florida.....		2	6	4	6	2	1			1
Georgia.....		4	11	7	6	2	1		1	21
Illinois.....		2	4	8	3	1	1			32
Indiana.....		3	10	5	6	2	1			19
Iowa.....		5	3	1						27
Kansas.....		1	4	1	2					9
Kentucky.....			1		4					8
Louisiana.....			1		4					5
Maine.....							1			1
Maryland.....					3					3
Michigan.....		5	4	5	3	3				20
Missouri.....	4	4	13	8	10	2		1		42
Montana.....				1	1					1
Nebraska.....		1		3	1					5
New Hampshire.....		1							1	2
New Jersey.....			2	2	1		1	1		7
New York.....		6	7	26	36	20	11	8	6	120
North Carolina.....	5	6	7	3						21
Ohio.....				2						2

TABLE 43.—NUMBER OF CREDIT UNIONS WITH EACH CLASSIFIED NUMBER OF MEMBERS, BY STATES—Continued

State	Number of credit unions having specified membership									Total
	Less than 25	25 and under 50	50 and under 100	100 and under 200	200 and under 500	500 and under 750	750 and under 1,000	1,000 and under 2,000	2,000 and over	
Oregon.....			1		1		1			3
Pennsylvania.....			1					1		1
Rhode Island.....			2	1	3				1	9
South Carolina.....			1					2		1
Tennessee.....		1	4	3	3	1				12
Texas.....		1	3							4
Utah.....	1			2	1					4
Virginia.....	1		6	3	6			1	1	18
Washington.....		2	1	2	1					6
West Virginia.....		2	1	1	1			1		6
Wisconsin.....			6	1		2				9
Total.....	16	66	105	96	103	36	16	15	10	463

## Resources

EACH new member is required to pay a membership fee, ranging in the various societies from 10 to 25 cents, and to subscribe for a certain amount of share capital, usually one share.

The shares are always of small denomination—\$5, \$10, and \$25 are the most common values—and the member is allowed to pay for his share in installments of as little as 10 or 25 cents a week. Thus it is evident that no one is debarred from membership by reason of poverty.

In order to equalize to some extent the members' holdings in the society, many organizations place a limit on the amount of stock held by any one member. In some organizations no member may own more than 5 per cent of the total share capital. In others placing a definite limit on the member's capital investment, the maximum amount allowed per member ranges from \$100 to \$5,000. While the societies studied have an aggregate paid-in share capital of more than \$24,000,000, Table 44 shows that the amount of capital per member averages \$92.

TABLE 44.—AVERAGE PAID-IN SHARE CAPITAL PER MEMBER OF CREDIT UNIONS, BY STATES

State	Average capital per member <sup>1</sup>	State	Average capital per member <sup>1</sup>	State	Average capital per member <sup>1</sup>
Alabama.....	\$45	Louisiana.....	\$30	Oregon.....	\$42
Arizona.....	131	Maine.....	33	Pennsylvania.....	3
Arkansas.....	61	Maryland.....	34	Rhode Island.....	63
California.....	36	Massachusetts.....	96	South Carolina.....	50
Colorado.....	102	Michigan.....	60	Tennessee.....	87
Connecticut.....	133	Minnesota.....	37	Texas.....	19
District of Columbia.....	24	Montana.....	20	Utah.....	35
Florida.....	144	Nebraska.....	21	Virginia.....	35
Georgia.....	47	New Hampshire.....	11	Washington.....	66
Illinois.....	52	New Jersey.....	34	West Virginia.....	36
Indiana.....	66	New York.....	143	Wisconsin.....	98
Iowa.....	40	North Carolina.....	32		
Kansas.....	12	Ohio.....	19	Total.....	92
Kentucky.....	63				

<sup>1</sup> Based on societies which reported both membership and capital.

The matter of receipt of deposits is usually fixed by the State law. The laws of all but seven States<sup>6</sup> specifically allow credit unions to receive savings deposits from the members, and those of seven States (Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia) also allow them to receive deposits from nonmembers.

Deposits may be made in amounts as small as 25 cents. These deposits, in the societies reporting, total more than \$9,000,000.

In addition a certain amount must be set aside as a reserve or "guaranty fund" each year. The societies reporting have reserves of more than \$2,000,000.

Table 45 shows the amount of capital, reserves, and deposits at the end of 1929.

TABLE 45.—SHARE CAPITAL, RESERVES, AND DEPOSITS OF CREDIT UNIONS IN 1929, BY STATES

State	Share capital		Guaranty fund		Deposits			
	Number of societies reporting	Amount	Number of societies reporting	Amount	Number of societies receiving	Number of depositors	Amount of deposits	Average per depositor <sup>a</sup>
Alabama.....	23	\$100,798	22	\$2,222	7	102	\$4,071	\$40
Arizona.....	1	6,802	1	28	1	11	1,232	112
Arkansas.....	1	1,538	1	47	1	20	90	5
California.....	16	111,958	12	2,616	5	338	8,001	24
Colorado.....	1	46,970	—	—	—	—	—	—
Connecticut.....	1	36,719	1	619	—	—	—	—
District of Columbia.....	1	13,891	1	270	1	4	118	30
Florida.....	1	32,500	—	—	—	—	—	—
Georgia.....	39	333,106	39	14,826	39	2,055	52,816	82
Illinois.....	31	430,841	31	11,651	2	745	38,933	52
Indiana.....	19	256,836	16	11,451	12	983	41,051	42
Iowa.....	36	119,047	36	1,325	36	(c)	1,402	—
Kansas.....	9	6,465	4	43	2	7	101	14
Kentucky.....	8	84,700	7	3,729	3	34	5,184	152
Louisiana.....	5	36,994	4	1,627	2	447	1,395	3
Maine.....	1	42,148	1	13,253	1	524	15,536	30
Maryland.....	3	28,168	2	148	—	—	—	—
Massachusetts.....	299	10,261,960	299	741,772	299	32,455	4,296,253	132
Michigan.....	20	237,258	9	5,331	15	1,072	40,078	37
Minnesota.....	43	327,450	43	11,062	43	2,823	206,991	73
Missouri.....	(c)	(c)	43	5,285	(c)	(c)	(c)	—
Montana.....	1	3,000	1	2,500	1	105	5,000	48
Nebaska.....	5	15,725	5	449	5	232	20,093	87
New Hampshire.....	2	43,776	1	28,334	1	4,000	1,504,790	376
New Jersey.....	4	20,500	6	4,990	4	2,625	217,877	83
New York.....	125	10,091,638	125	1,094,931	125	6,137	686,138	112
North Carolina.....	21	36,048	19	4,355	17	671	77,105	115
Ohio.....	2	5,278	2	58	—	—	—	—
Oregon.....	3	47,296	3	875	1	2	96	48
Pennsylvania.....	1	180	1	13	—	—	—	—
Rhode Island.....	9	567,319	9	80,134	7	7,341	1,443,138	197
South Carolina.....	1	4,851	1	460	1	1	2	2
Tennessee.....	12	209,122	11	6,133	4	36	1,565	43
Texas.....	4	4,775	4	165	1	2	9	5
Utah.....	4	15,701	4	265	1	12	138	12
Virginia.....	18	207,669	14	10,470	10	1,435	18,778	13
Washington.....	6	58,700	6	1,751	—	—	—	—
West Virginia.....	6	57,992	5	1,587	4	15	3,970	265
Wisconsin.....	8	160,138	9	14,670	3	710	325,835	459
Total.....	790	24,065,407	798	2,079,450	654	64,944	9,017,786	143

<sup>a</sup> Based on societies reporting both deposits and number of depositors.

<sup>b</sup> Covers only sums paid in on purchase of shares.

<sup>c</sup> No data.

<sup>d</sup> Probably covers sums paid in on purchase of shares, as State law does not authorize the receipt of savings deposits.

<sup>6</sup> Nebraska and Wisconsin have no provision on the subject. The law of California is indefinite, authorizing the credit union to "receive money and accumulate funds to be loaned." The laws of Illinois, Kansas, Louisiana, and Missouri classify as "deposits" the sums being paid in by members on the purchase of shares.

## Requirements for Loans

ONLY a member of the credit union can be a borrower from it, and even a member can not secure a loan (1) if he is not in good standing, (2) if he has failed to repay any previous loan or is in arrears on a current loan, or (3) if his indorsers have ever had to pay any of his obligations.

Any member desiring to secure a loan must make his application therefor in writing, stating the purpose for which he intends to use the money and what security, if any, he can offer. Some societies also require that the applicant shall certify that "no consideration has passed or will pass from the borrower to the indorsers for their indorsement."

Practice in regard to security required differs in the various credit unions. One or two societies have a rule that no loans may be made without security. In the majority, however, loans on character may be made in amounts up to \$25 or \$50 (usually \$50); for loans above that amount security must be given. The security may be a note indorsed by one or more fellow members. A surrender to the society of the borrower's share capital may also be required as security.

The loan must have the approval of all the members of the credit committee present at the meeting to consider the loan and these usually must constitute at least two-thirds of the full committee. In many societies, an unsuccessful applicant for a loan may appeal from the committee to the board of directors or to a meeting of stockholders.

Loans may be made in many societies "only for provident purposes or urgent needs," or when they "promise to be of benefit to the borrower."

## Business Done (Loans Granted) During 1929

THE following table shows that during 1929 the credit unions reporting made loans amounting to \$54,048,353, and had outstanding at the end of the year \$30,811,582. The average amount granted per loan was \$350.

TABLE 46.—LOANS GRANTED BY CREDIT UNIONS DURING 1929, AVERAGE AMOUNT OF LOAN, AND AMOUNT OUTSTANDING AT END OF YEAR

State	Number of societies reporting	Number of borrowers in 1929	Loans granted during year		Loans outstanding at end of year
			Amount	Average loan per borrower <sup>1</sup>	
Alabama.....	23	<sup>2</sup> 2, 615	<sup>2</sup> \$235, 234	\$90	\$98, 528
Arizona.....	1	146	6, 831	45	6, 533
Arkansas.....	1	35	4, 049	45	1, 578
California.....	16	1, 774	208, 520	118	115, 827
Colorado.....	1	618	131, 277	212	80, 710
Connecticut.....	1	340	150, 320	102	34, 677
District of Columbia.....	1	873	30, 252	14	12, 630
Florida.....	1	180	40, 000	172	32, 000
Georgia.....	21	4, 339	537, 109	124	258, 988
Illinois.....	32	5, 555	863, 306	155	435, 592
Indiana.....	19	<sup>3</sup> 1, 917	285, 849	102	138, 790
Iowa.....	36	1, 406	<sup>4</sup> 170, 755	133	93, 781
Kansas.....	8	126	7, 659	61	5, 871
Kentucky.....	8	931	176, 696	190	107, 362
Louisiana.....	5	1, 122	91, 772	82	38, 560
Maine.....	1	762	104, 361	137	78, 253

<sup>1</sup> Based upon societies reporting both number of borrowers and loans granted.

<sup>2</sup> 22 societies.

<sup>3</sup> 18 societies.

<sup>4</sup> 27 societies.

TABLE 46.—LOANS GRANTED BY CREDIT UNIONS DURING 1929, AVERAGE AMOUNT OF LOAN, AND AMOUNT OUTSTANDING AT END OF YEAR—Continued

State	Number of societies reporting	Number of borrowers in 1929	Loans granted during year		Loans outstanding at end of year
			Amount	Average loan per borrower <sup>1</sup>	
Maryland.....	3	350	\$27,888	\$80	\$21,644
Massachusetts.....	299	52,853	\$ 29,500,000	\$ 558	12,628,949
Michigan.....	20	( <sup>e</sup> )	372,392	-----	( <sup>g</sup> )
Minnesota.....	43	3,896	( <sup>e</sup> )	-----	472,570
Missouri.....	43	10,335	( <sup>e</sup> )	-----	( <sup>g</sup> )
Montana.....	1	23	7,500	326	3,500
Nebraska.....	5	463	66,252	143	35,906
New Hampshire.....	2	4,014	144,612	36	1,343,664
New Jersey.....	7	7,980	130,194	119	52,783
New York.....	125	41,792	18,365,000	439	11,532,531
North Carolina.....	21	1,159	\$ 129,395	116	115,710
Ohio.....	2	121	9,580	79	5,067
Oregon.....	3	1,981	107,073	54	47,654
Pennsylvania.....	1	10	175	18	150
Rhode Island.....	9	2,918	679,936	233	1,886,364
South Carolina.....	1	72	10,668	148	5,560
Tennessee.....	12	<sup>h</sup> 1,787	476,794	210	237,117
Texas.....	4	93	5,257	57	4,088
Utah.....	4	349	36,050	103	17,337
Virginia.....	17	5,498	510,348	93	263,275
Washington.....	6	766	51,488	67	62,603
West Virginia.....	6	855	<sup>10</sup> 107,442	139	63,370
Wisconsin.....	9	880	266,319	303	472,060
Total.....	818	<sup>11</sup> 153,934	<sup>12</sup> 54,048,353	350	30,911,582

<sup>1</sup> Based upon societies reporting both number of borrowers and loans granted.

<sup>2</sup> Estimated.

<sup>7</sup> 6 societies.

<sup>9</sup> 11 societies.

<sup>11</sup> 794 societies.

<sup>6</sup> No data.

<sup>8</sup> 20 societies.

<sup>10</sup> 5 societies.

<sup>12</sup> 720 societies.

### Interest on Loans

THE maximum rate of interest that may be charged on loans is fixed by the laws of 26 of the 32 States having credit union laws.<sup>7</sup>

The most common rates charged are 5.9, 6.0, 8.0, and 12.0 per cent. The following statement shows, for the 395 societies reporting on this point, the rate charged:

	Number of societies
5 per cent per annum.....	1
5 per cent per annum, in advance.....	2
5½ per cent per annum.....	3
5 and 5.9 per cent per annum.....	1
5.9 per cent per annum.....	98
5 and 6 per cent per annum.....	<sup>8</sup> 2
5-7 per cent per annum.....	1
6 per cent per annum.....	66
6 per cent per annum, in advance.....	5

<sup>7</sup> Thus, in North Carolina the legal rate may be charged and in New Hampshire not to exceed the legal rate. In South Carolina the interest rate may not exceed 7 per cent, in Indiana 8 per cent per year "not collectible in advance," in Texas 10 per cent, and in Utah 12 per cent. In 17 States the rate may not exceed 1 per cent, in West Virginia 1¼ per cent, and in Virginia 1½ per cent per month, computed on the unpaid balances. The New Jersey law also provides that "no charges, bonus, fees, expenses, or demands of any nature whatsoever other than as above provided shall be made upon loans or advancements except upon the actual foreclosure of the security or upon the entry of judgment." In New York the interest may not exceed 1 per cent per month, or 5.9 per cent per year if deducted in advance, and in either case must be inclusive of all charges incident to the making of such loan; if the member pays off a loan before due, "the pro rata unearned portion of interest shall be refunded." The Wisconsin statute provides that a rate of 1 per cent per month on unpaid balances "shall not be held to be usurious."

<sup>8</sup> In 1 case, according to whether mortgage or personal loan; in the other, according to term and size of loan.

	Number of societies
6 and 7 per cent per annum.....	<sup>9</sup> 1
6 and 8 per cent per annum.....	1
6.9 and 12 per cent per annum.....	1
6-12 per cent per annum.....	1
6 and 12 per cent per annum.....	1
7 per cent per annum.....	10
7 and 8 per cent per annum.....	<sup>10</sup> 4
7, 7½, and 8 per cent per annum.....	<sup>11</sup> 1
7.2-9.6 per cent per annum.....	1
8 per cent per annum.....	32
8 and 10 per cent per annum.....	<sup>11</sup> 1
8, 10, and 12 per cent per annum.....	1
0.8 per cent per month.....	1
9 per cent per annum.....	3
½ per cent per month.....	2
10 per cent per annum.....	5
Up to 11.2 per cent per annum.....	1
12 per cent per annum.....	<sup>12</sup> 147
18 per cent per annum.....	1
Total reporting.....	<sup>13</sup> 394

### Operating Expenses

THE expense of operation of the credit societies as a group is very small. In many cases, where the credit union membership is composed of the employees of a single firm, the company gives quarters (including, of course, heat and light) and in some cases the services of an accountant. Often, when the society is small there are no official headquarters, the business being transacted at the home of the treasurer, secretary, or some member of the credit committee. Expense for salaries is at a minimum, for usually the directors and members of committees receive no compensation,<sup>14</sup> and as a general thing the only persons receiving any salary are the treasurer or secretary (or both). For this reason, the table below gives the average rate of expense for each item, based, first, on only those societies which had an expenditure for the particular item, and second, on the whole number of societies (135) which furnished statements of operating expenses. As is seen, of the 135 societies only 2 showed expenditure for heat and light and only 5 societies paid rent. Stationery and supplies formed the most common item of expenditure.

Table 47 shows that the expenses of credit unions for the year 1929 averaged 1.79 per cent of the year's business, i. e., the loans granted.

<sup>9</sup> According to whether an installment or straight-term loan.

<sup>10</sup> In 1 case, according to size of loan.

<sup>11</sup> According to size of loan.

<sup>12</sup> One of these charges 7 per cent for straight-term loans.

<sup>13</sup> Not including 1 society whose charges range from 25 cents a month to 10 per cent per annum, according to size and type of loan.

<sup>14</sup> In 29 States compensation to them is forbidden by law.

TABLE 47.—OPERATING EXPENSES OF CREDIT UNIONS IN 1929

Item	Rate (per cent) each item formed of total loans granted during year		
	Based on societies having specified expense		Based on 135 societies reporting
	Number	Average	
		<i>Per cent</i>	<i>Per cent</i>
Salaries.....	73	1.10	0.91
Stationery and supplies.....	125	.20	.16
Rent.....	5	.17	.01
Heat, light and power.....	2	.13	.01
Insurance, taxes, and fee for State auditing.....	52	.59	.24
Premium on employees' bonds.....	88	.03	.02
Interest on borrowed money.....	26	.33	.05
Repairs.....	2	.50	.04
Depreciation.....	5	.32	.04
Bad debts.....	10	.25	.04
Miscellaneous.....	67	.45	.25
Total.....	135	1.79	1.79

Only 10 societies reported any losses due to the failure of borrowers to repay loans. For the societies which incurred these losses they amounted to one-fourth of 1 per cent of the year's loans; for all the 135 societies they amounted to only 0.04 per cent. The director of the department of remedial loans of the Russell Sage Foundation recently cited the case of one of the large credit unions in New York City which has 11,000 members, and which during its 14 years' existence made loans aggregating some \$12,000,000 and has in all that time lost only \$40 in bad debts.<sup>15</sup>

#### Division of Profits

PROVISION for reserve or "guaranty fund," or both, is almost universally made, being required by all the recent laws, the most general amounts set aside for this purpose annually being 20 or 25 per cent of profits. This continues until an amount has been accumulated equal to that proportion of the share capital (or deposits) required by the State law. To this fund are also added the entrance fees, fines, and transfer fees.

Losses from bad debts or other causes are charged against the reserve. One society provides that the reserve is to be kept to take care of depreciation or for emergencies in connection with the business or for any expansion or development that the members see fit. Several credit unions allow the reserve, when it exceeds a certain amount, to be drawn upon for the relief of individual members "in cases of extreme urgency, such as sickness or death necessities."

Deposits receive interest at a fixed rate, usually determined by the board of directors. Of the 343 credit unions which reported on this

<sup>15</sup> American Bankers' Association Journal (New York City), July, 1930, pp. 43 et seq.: "Small Loan Cooperatives," by Rolf Nugent.

point, 148 receive no deposits, while the rates paid on deposits by the remainder are shown below:

	Number of societies		Number of societies
2 per cent.....	2	7 per cent.....	4
3 per cent.....	13	7.2 per cent.....	1
3.5 per cent.....	2	7.5 per cent.....	1
4 per cent.....	70	8 per cent.....	4
4 and 4.5 per cent.....	2	8.4 per cent.....	1
4 and 5 per cent.....	1	8.6 per cent.....	1
4.5 per cent.....	13	9 per cent.....	2
5 per cent.....	51	10 per cent.....	1
5.5 per cent.....	4		
6 per cent.....	22	Total.....	195

*Dividends.*—After expenses are paid and provision made for reserve, interest on deposits, etc., the remainder of the profit is divided among the members in proportion to the stock held by them.

Of the 820 societies for which reports were received, 387 paid dividends on the 1929 business. The amounts returned by these aggregated \$222,163. It should be borne in mind that a very large proportion of the societies have been in existence only a short time and this has undoubtedly influenced the dividend figure. Their failure or success, however, can not be judged merely in terms of dividend, for their main benefit lies not in the returns made to depositors and stockholders but in the savings effected for the borrower through the lower rates of interest at which loans are given and in the benefit, which can not be evaluated, growing out of the relief of the exploited borrower and the lifting of the burden of anxiety from the shoulders of many a harassed father of a family, enabling him to regain his financial standing and self-respect.

TABLE 48.—AMOUNT AND RATE OF DIVIDENDS RETURNED BY CREDIT UNIONS, BY STATES

State	Number of societies paying dividends	Dividends paid		State	Number of societies paying dividends	Dividends paid	
		Amount	Rate (per cent) <sup>1</sup>			Amount	Rate (per cent) <sup>1</sup>
Alabama.....	16	\$5,914	6.1	Montana.....	1	\$180	6.0
Arizona.....	1	518	8.2	Nebraska.....	4	548	3.5
Arkansas.....	1	87	5.5	New Hampshire.....	2	2,032	4.6
California.....	11	4,170	4.1	New Jersey.....	4	8,231	4.7
Colorado.....	1	4,228	9.0	New York.....	125	42,750	4
District of Columbia.....	1	293	2.1	North Carolina.....	14	2,640	8.2
Florida.....	1	2,700	8.3	Ohio.....	2	159	3.0
Georgia.....	18	14,166	6.4	Oregon.....	2	1,245	3.8
Illinois.....	24	20,854	4.9	Rhode Island.....	9	29,853	5.3
Indiana.....	16	10,641	4.2	South Carolina.....	1	409	8.4
Iowa.....	16	4,556	4.8	Tennessee.....	10	15,903	7.8
Kansas.....	2	52	1.5	Utah.....	3	809	5.9
Kentucky.....	8	5,248	6.2	Virginia.....	11	12,329	6.3
Louisiana.....	5	1,899	5.1	Washington.....	5	3,766	6.5
Maine.....	1	2,264	5.4	West Virginia.....	6	3,308	5.7
Maryland.....	2	265	1.3	Wisconsin.....	7	6,892	4.4
Michigan.....	7	7,957	5.0				
Minnesota.....	43	3,177	1.0	Total.....	<sup>2</sup> 387	222,163	1.5
Missouri.....	<sup>3</sup> 7	2,120	( <sup>3</sup> )				

<sup>1</sup> Based on capital of societies reporting.

<sup>2</sup> 25 other societies paid dividends (at rates ranging from 3.48 to 18 per cent) but did not report amount so paid.

<sup>3</sup> No data as to capital.

## Development Since 1925

THE table below shows the status of the credit unions in 1929, as compared with 1925 when the previous study was made. An enormous expansion has taken place, as the figures show.

TABLE 49.—DEVELOPMENT OF CREDIT SOCIETIES, 1925 AND 1929

Item	1925	1929
Total number of credit unions.....	284	974
Number furnishing reports.....	176	838
Membership:		
Number of members.....	107, 779	264, 908
Average per society.....	612	320
Resources:		
Paid-in share capital.....	\$10, 706, 099	\$24, 065, 407
Reserves.....	\$973, 873	\$2, 079, 450
Deposits.....	\$4, 700, 768	\$9, 017, 786
Loans:		
Number of borrowers during year.....	52, 836	153, 934
Amount granted in loans.....	\$20, 100, 356	\$54, 048, 353
Average per borrower.....	\$381	\$350
Amount outstanding at end of year.....	\$13, 390, 423	\$30, 811, 582
Dividends paid:		
Number of societies.....	135	387
Amount returned.....	\$458, 183	\$222, 163
Average rate of expense (per cent).....	1.80	1.79

## Federation Among Credit Unions

MUCH of the growth of the credit union movement of the past few years has been due to the work of the Credit Union National Extension Bureau, at Boston. This is a privately financed organization which has devoted itself, first, to the work of obtaining in the various States of a credit union law,<sup>16</sup> which gives legal status and sanction to credit societies, and second, to the promotion of organization of credit societies within groups of various sorts—trade-unions, church groups, fraternal organizations, local groups, and other organizations. Certain labor groups, notably the Brotherhood of Railway Clerks, have also taken an active interest in the formation of credit unions among the membership of the locals. The rapid spread of the cooperative credit idea among the postal employees throughout the country has been due mainly to the encouragement given by the Director of Service Relations of the United States Post Office Department.

It is part of the plan of the Credit Union National Extension Bureau that when there are enough credit unions functioning in a State to warrant such action, these should unite to form a State credit union league for mutual help and education, and that eventually these State leagues should federate into a national league.

There has been such a State league in Massachusetts for the past six years. The June, 1930, issue of *The Bridge*, which is the organ of the Credit Union National Extension Bureau, pointed out that Minnesota and Indiana have State leagues and that there is a sufficient number of local societies to justify the formation of a State league in Alabama, Georgia, Illinois, Iowa, Missouri, North Carolina, and Virginia.

Preliminary meetings looking to the formation of State leagues were being held, at the time the article was written, in Illinois, Iowa,

<sup>16</sup> There are now (summer of 1930) such laws in 32 States.

and Missouri and similar meetings were planned to be held in Alabama, Georgia, North Carolina, and Virginia early in the fall of 1930.

### Cooperative Banks

**T**HE formation of cooperative banks is authorized by law in Iowa and Nebraska.<sup>17</sup> Thus far, however, no banks have been organized under the law of Nebraska. One bank, the Cooperative Bank of Newell, has been formed in Iowa, but the bureau has been unable to obtain any information concerning it.

### Labor Banks

**O**N JUNE 30, 1930, there were in existence 14 banks operating under labor-union auspices. These banks had combined deposits of \$59,817,392, and total resources amounting to \$68,953,855. The details, by banks, are shown in the following table, supplied by Prof. Douglas Brown, of Princeton University.

TABLE 50.—CONDITION OF LABOR BANKS AS OF JUNE 30, 1930

Name and location of bank	Share capital	Surplus and undivided profits	Deposits	Total resources
Federation Bank & Trust Co., New York, N. Y.....	\$750,000	\$1,189,653	\$18,130,880	\$20,558,834
Amalgamated Bank of New York, New York, N. Y.....	650,000	519,974	11,349,764	12,845,579
Telegraphers' National Bank, St. Louis, Mo.....	500,000	210,573	6,659,455	7,701,328
Labor National Bank, Paterson, N. J.....	300,000	224,453	6,021,853	6,681,691
Mount Vernon Savings Bank, Washington, D. C.....	400,000	183,547	4,112,415	4,735,820
Union National Bank, Newark, N. J.....	375,000	230,022	3,674,030	4,325,401
Labor National Bank, Jersey City, N. J.....	400,000	191,925	2,676,150	3,369,174
Amalgamated Trust & Savings Bank, Chicago, Ill.....	200,000	159,277	2,526,580	3,033,182
The American Bank, Toledo, Ohio.....	200,000	82,423	1,714,226	2,138,036
Farmers & Workmen's Savings Bank, Jackson, Mich.....	100,000	16,132	849,834	1,070,647
United Labor Bank & Trust Co., Indianapolis, Ind.....	112,500	26,712	702,326	843,572
Hawkins County Bank, Rogersville, Tenn. <sup>1</sup> .....	50,000	50,000	596,627	731,627
Gary Labor Bank, Gary, Ind. <sup>2</sup> .....	50,000	13,592	606,617	670,674
Labor National Bank, Three Forks, Mont.....	25,000	7,053	196,655	248,281
Total (14 banks).....	4,112,500	3,105,336	59,817,392	68,953,855

<sup>1</sup> As of Dec. 31, 1929.

<sup>2</sup> Bank closed Aug. 19, 1930.

Beginning with the establishment of the Locomotive Engineers' Cooperative Bank in Cleveland in 1920, the labor bank movement grew, at first quite slowly, then with increasing momentum, reaching its high point in 1925, when there were 36 such banks, with deposits of nearly \$100,000,000 and total resources of \$115,000,000. A decline began in 1926, which has continued from year to year since then.

The Brotherhood of Locomotive Engineers, which at one time owned an interest (in some cases a controlling interest) in some 15 banks, is no longer represented in the labor-banking field, as the above table shows.

Table 51 gives the development of the labor banks, since the inception of the movement, in 1920:

<sup>17</sup> For the provisions of these laws, see p. 121.

TABLE 51.—DEVELOPMENT OF LABOR BANKS IN THE UNITED STATES, 1920 TO 1930<sup>1</sup>

End of December—	Number of banks	Share capital	Surplus and undivided profits	Deposits	Total resources
1920.....	2	\$960,000	\$194,446	\$2,258,561	\$3,628,867
1921.....	4	1,280,000	255,869	9,970,961	12,782,173
1922.....	10	2,050,473	742,689	21,901,641	26,506,723
1923.....	18	4,222,230	1,353,022	43,324,820	51,496,524
1924.....	26	6,441,267	1,891,757	72,913,180	85,325,884
1925 <sup>2</sup> .....	36	9,069,072	3,467,829	98,392,592	115,015,273
1926.....	35	8,914,508	3,837,377	108,743,550	126,533,542
1927.....	32	8,282,500	3,747,176	103,290,219	119,818,416
1928.....	27	7,537,500	3,821,205	98,784,369	116,307,256
1929 <sup>3</sup> .....	22	6,687,500	3,807,579	92,077,098	108,539,894
1930 <sup>3</sup> .....	14	4,112,500	3,105,336	59,817,392	68,953,855

<sup>1</sup> Data are from Princeton University, Industrial Relations Section, Report on Labor Banking Movement in the United States, Princeton, 1929, p. 277, and additional new material furnished by the university to the Bureau of Labor Statistics.

<sup>2</sup> Amalgamated Bank of Philadelphia not included.

<sup>3</sup> June 30.

### Mutual Savings Banks

**M**UTUAL savings banks, like the building and loan associations, may be considered as cooperative to some extent. The encyclopedia defines them as follows: "A savings bank is a mutual institution conducted for the benefit of the depositors, without profit to the managers or trustees, for the purpose of receiving on deposit, for safekeeping and investment, such sums as shall be offered by the depositors, repaying the principal on demand or upon legal notice, and distributing the earnings among the depositors as interest-dividends, after paying expenses, and setting the remainder aside as a surplus fund for the protection of all."<sup>18</sup>

The control of a mutual savings bank is in the hands of a board of trustees named in the original articles of incorporation. This board is self-perpetuating. As a rule its members serve without any compensation whatever, even for attendance at meetings.

A mutual savings bank is a nonstock association, and having no stock, is also without stockholders, being owned by the depositors collectively. "The depositors are, in a sense, partners, in that the profits belong to them and the losses, if any, are legally assessable upon them, the latter process being, however, a rare occurrence."

The following data are taken from the 1929 report of the Secretary of the Treasury on "The State of the Finances." Table 52 shows the number of mutual savings banks in the United States on June 30, 1929, the number of depositors, the total and average deposits, and the average rate of interest paid on deposits, by States.

<sup>18</sup> The Americana, 1927, Vol. III, p. 189.

TABLE 52.—DEVELOPMENT OF MUTUAL SAVINGS BANKS, JUNE 30, 1929, BY STATES

State	Number of banks	Number of depositors	Deposits		Average rate of interest paid
			Amount	Average per depositor	
California.....	1	69,869	\$75,527,000	\$1,081	<i>Per cent</i> 4.25
Connecticut.....	75	904,981	627,058,000	693	4.75
Delaware.....	2	47,691	24,641,000	517	4.50
Indiana.....	5	139,563	24,505,000	619	4.00
Maine.....	33	225,782	113,402,000	502	4.00
Maryland.....	14	325,148	194,199,000	597	4.00
Massachusetts.....	196	2,973,468	2,042,506,000	687	4.74
Minnesota.....	5	141,063	71,797,000	509	3.75
New Hampshire.....	52	334,930	215,759,000	644	4.08
New Jersey.....	27	460,525	267,167,000	580	3.97
New York.....	150	5,116,151	4,463,046,000	872	4.00
Ohio.....	3	128,496	104,466,000	813	4.00
Pennsylvania.....	39	542,029	447,124,000	825	3.96
Rhode Island.....	9	196,386	169,300,000	862	4.34
Vermont.....	19	127,961	98,813,000	772	4.17
Washington.....	5	93,074	53,739,000	577	4.75
Wisconsin.....	6	20,968	8,550,000	408	3.00
Total.....	611	11,748,085	9,001,599,000	766	-----

<sup>1</sup> Estimated.<sup>2</sup> Includes savings of 11 trust companies and 11 guaranty savings banks.<sup>3</sup> Includes return of 1 stock savings bank.

By a curious coincidence, Massachusetts and New York, which are the leading credit-union States, are also those in which the mutual savings banks have reached the greatest development. Of the 611 banks, 384 are in the New England States and 186 in the Middle Atlantic States.

Table 53 shows the development of these banks since 1920. As it shows, the high point in number of banks was reached in 1921. Although the number of banks has decreased since then, the number of depositors, amount of deposits, and average amount per depositor have all shown a steady increase from year to year.

TABLE 53.—DEVELOPMENT OF MUTUAL SAVINGS BANKS, 1920 TO 1929

Year	Number of banks	Number of depositors	Deposits	
			Amount	Average per depositor
1920.....	620	9,445,327	\$5,186,952,000	\$549
1921.....	623	9,619,260	5,575,147,000	580
1922.....	619	9,655,861	5,779,506,000	599
1923.....	618	10,057,436	6,288,551,000	625
1924.....	613	10,409,776	6,693,246,000	643
1925.....	611	10,616,215	7,146,951,000	673
1926.....	620	11,053,886	7,577,504,000	686
1927.....	618	11,337,393	8,077,099,000	712
1928.....	616	11,732,143	8,672,823,000	739
1929.....	611	11,748,085	9,001,599,000	766

## Building and Loan Associations

**A**S BUILDING and loan associations are, in part at least, cooperative in character, summary data concerning them are given below. These data were compiled from the annual reports of the secretary of the United States Building and Loan League.

Table 54 shows the status of the associations, by States, in 1929.

TABLE 54.—CONDITION OF BUILDING AND LOAN ASSOCIATIONS, 1929, BY STATES

State	Number of associations	Members	Total assets	Mortgage loans outstanding
Alabama.....	40	42,500	\$30,271,200	\$25,634,807
Arizona.....	8	6,700	4,414,866	3,968,295
Arkansas.....	71	75,271	43,601,366	37,965,108
California.....	222	437,584	477,226,116	416,802,996
Colorado.....	69	117,023	54,017,612	45,117,257
Connecticut.....	44	32,808	24,730,822	22,752,873
Delaware.....	44	19,500	14,031,047	12,062,400
District of Columbia.....	24	72,043	68,409,716	65,163,001
Florida.....	69	16,500	21,658,451	17,074,400
Georgia.....	36	15,083	5,149,446	4,457,486
Idaho.....	14	6,900	4,474,998	4,001,215
Illinois.....	927	918,000	448,423,317	415,190,738
Indiana.....	402	460,373	312,330,284	282,837,023
Iowa.....	74	64,421	49,045,649	45,081,130
Kansas.....	155	211,938	132,186,748	107,956,918
Kentucky.....	158	170,500	110,805,706	108,611,540
Louisiana.....	106	204,496	190,561,316	173,887,938
Maine.....	36	29,000	23,508,352	22,048,158
Maryland <sup>1</sup> .....	1,200	330,000	215,000,000	( <sup>2</sup> )
Massachusetts.....	227	519,198	543,654,998	502,637,271
Michigan.....	69	212,672	161,105,257	147,942,994
Minnesota.....	79	92,554	39,422,419	33,234,090
Mississippi.....	43	29,500	19,862,916	17,891,290
Missouri.....	237	265,774	198,852,368	178,416,924
Montana.....	27	45,728	20,367,830	18,281,801
Nebraska.....	83	252,638	163,460,364	139,870,118
Nevada.....	4	1,360	12,199,670	745,974
New Hampshire.....	29	17,208	8,726,849	12,196,619
New Jersey.....	1,562	1,200,000	1,151,503,097	1,062,722,473
New Mexico.....	19	5,047	4,805,512	4,064,291
New York.....	309	593,098	422,141,280	380,170,540
North Carolina.....	283	105,058	95,848,057	88,585,047
North Dakota.....	20	19,600	10,952,539	10,384,000
Ohio.....	810	2,338,925	1,283,665,876	1,146,545,352
Oklahoma.....	91	265,879	139,808,782	127,719,842
Oregon.....	39	51,000	28,320,667	22,538,321
Pennsylvania.....	3,901	1,650,000	1,400,000,000	1,200,000,000
Rhode Island.....	8	42,021	27,827,463	25,915,049
South Carolina <sup>1</sup> .....	151	33,000	26,500,000	( <sup>3</sup> )
South Dakota.....	23	10,880	5,439,587	4,793,245
Tennessee.....	38	21,300	15,532,832	( <sup>3</sup> )
Texas.....	176	187,880	137,015,904	122,886,727
Utah.....	24	126,536	51,680,143	42,716,239
Vermont.....	14	5,940	4,066,425	3,833,293
Virginia.....	91	65,000	58,878,642	52,837,266
Washington.....	73	293,816	105,316,958	83,864,584
West Virginia.....	63	67,300	41,827,485	36,954,310
Wisconsin.....	187	303,407	282,781,402	269,287,737
Wyoming.....	13	20,750	11,121,886	9,405,286
Other States.....				230,301,417
Total.....	12,342	12,111,209	8,695,154,220	7,787,405,383

<sup>1</sup> Estimated.<sup>2</sup> No data.<sup>3</sup> Included in "Other States."

The table following shows their development, by years, since 1920. It is seen that while there was a decrease in number of associations from 1927 to 1928 and from 1928 to 1929, the membership and assets have shown an unbroken increase year after year.

TABLE 55.—DEVELOPMENT OF BUILDING AND LOAN ASSOCIATIONS, 1920 TO 1929

Year	Number of associations	Membership	Assets	Mortgage loans outstanding
1920.....	8,633	4,962,919	\$2,519,914,971	(1)
1921.....	9,255	5,809,888	2,890,761,621	(1)
1922.....	10,009	6,864,144	3,342,539,953	<sup>2</sup> \$900,000,000
1923.....	10,744	7,202,886	3,942,939,880	<sup>2</sup> 1,260,000,000
1924.....	11,844	8,554,352	4,765,937,197	<sup>2</sup> 1,460,000,000
1925.....	12,403	9,886,997	5,509,176,154	5,085,009,639
1926.....	12,626	10,665,705	6,334,103,807	5,852,689,591
1927.....	12,904	11,336,261	7,173,562,451	6,584,818,419
1928.....	12,666	11,995,905	8,016,034,327	7,336,124,154
1929.....	12,342	12,111,209	8,695,154,220	7,787,405,383

<sup>1</sup> No data.<sup>2</sup> Estimated.

## Chapter V.—Workers' Productive Associations

**T**HE number of workers' productive societies in the United States has decreased in recent years. At the time of the bureau's cooperative study made in 1925 there were 39 associations of this type. One association was organized later that same year, but so far as the bureau is aware, none has been formed since that time. On the other hand, 17 have gone out of business and 2 are no longer cooperative in any respect. Thus there are only 20 productive associations left.

Various fields of industry have been entered, from time to time, by workers' cooperative enterprises. These include the manufacture of cigars, window glass, stoves, knit goods, cloth, shingles and lumber products, clothing (gloves, suits, shoes, hats), sanitary pottery, boxes, and bakery goods, the operation of coal mines, the canning of fish, laundry operation, etc.

Many of the societies were formed because of some motivating circumstance, without adequate study of the field which it was proposed to enter. In fact the field has often been such as to mean an inevitably dwindling business for the cooperative enterprise. The manufacture of articles by hand, in industries which if not wholly mechanical are rapidly becoming so, is a highly precarious undertaking. Thus, of the many cooperative plants manufacturing hand-blown window glass none remain, while only three factories manufacturing cigars by hand are still in operation. In other instances groups of miners have taken over from the owners unprofitable mines and have worked them—in some instances successfully—but when the vein gave out the society was at an end. Other groups have entered highly competitive businesses where conditions were unusually difficult. Of the numerous shingle mills on the Pacific coast only a few remain, and these must compete not only with other shingle manufacturers, but also with the manufacturers of patent and fireproof roofings.

That some of these cooperative groups have attained a considerable degree of success, however, must be put down to their credit. One such instance is that of a group of shoe workers which started its own factory 15 years ago. Each year has shown an expansion in business, until now it employs in the business an average of 270 persons, does a business of nearly a million and a half dollars a year, and has accumulated a surplus of nearly \$300,000. This success, in an industry as competitive and as subject to fluctuations of style as the manufacture of shoes, shows a high quality of management.

In many instances the cooperative business was started as a result of a strike or lockout in the industry in which the men were employed, and the cooperative enterprise was looked upon as a means of giving employment to some of the members and possibly, also, as an added factor in bringing to terms the employer against whom the strike was directed. When a satisfactory settlement was obtained there was in some cases a loss of interest in the cooperative enterprise.

Workers' societies may be handicapped by business inexperience and lack of knowledge of salesmanship and of market conditions. They may therefore be at a disadvantage when it comes to disposing of their product.

Mistakes in judgment may also result disastrously, as in the case of a society which after several years of profitable operation had built up a considerable surplus, which it used toward the purchase of an expensive building which was much larger than needed. Shortly after it had assumed this burden, a business depression occurred, sales fell, and the society, having used up its surplus and being unable to meet its obligations, had to close.

Lack of adequate capital is another handicap and probably there have been many societies which have collapsed in adverse times but which could have succeeded if they had had funds enough to enable them to absorb some loss and tide over until conditions changed for the better.

Internal difficulties may also present added problems. Some reports have spoken bitterly of the shortsightedness of the members in wanting to draw out all of the profits for immediate use and failing to see the importance and necessity of building up adequate reserves. Others have complained of the difficulty of maintaining harmonious relations among the members. One man who was one of the mainstays of a cooperative enterprise for the 25 years of its operation states his opinion that—

Cooperative plans or institutions may sound ideal in theory but they are impossible in practice, because if the leader of such a group is sufficiently talented as to make the business a success, he can not and will not allow himself to be subjected to the indignities and unjust criticisms, not to speak of the remuneration which is invariably denied to him.

In some instances outside factors which the organization was powerless to control have meant failure to the enterprise. Thus the exhausting of natural gas in some parts of Indiana where cooperative plants had been started put an end to many of these. In other instances failure was due to high prices of materials and an unstable market after the close of the World War; loss of factory by fire; the increasing competition of machine-made products, etc.

Uncertain as the outlook is for this type of cooperation, it is possible that much could be done for such organizations through a central educational association such as is found in the consumers' cooperative movement. The workers' productive associations operate in various lines of business, it is true, but they all have common problems of capitalization, merchandising, accounting, organization of production, etc., upon which valuable information would be obtainable through some central body organized for this purpose. Such central organizations have been formed in those foreign countries in which workers' productive enterprises have attained any degree of development.

### General Characteristics of Cooperative Workshops

THE "ideal" workers' productive society is composed of workers in the shop who have contributed all the capital of the enterprise and do all the work, the business being managed by men elected by and from the members. The worker-owners work on a wage basis,

but receive in addition any profits made from the business, these being divided among the members by various methods.

The cooperative workshop, however, is exposed to a temptation not present in other forms of cooperation. In the consumers' society, for instance, it is to the interest of the members to enlarge the membership, for each new member increases the business of the society. The increased volume of business in turn reduces the percentage of overhead expense and increases the savings made in the business and therefore, also, the benefits accruing to each member. In the workers' societies the situation is exactly reversed. Every additional member increases the number who must share in the profits, though not necessarily increasing the business done or the amount of profits to be shared. Each new member, therefore, is likely to be looked upon as reducing the profits of the others. Especially if the society achieves business success, there may develop an increasing tendency among the members to limit their numbers so as to retain all the savings from the business for themselves, and, if additional workers are needed, to secure these as employees, not as members. The impetus to such an attitude is also all the greater in a workers' productive organization, inasmuch as the society represents the members' livelihood; and as the matter is a serious one to them an exclusive membership policy is understandable and excusable. In direct proportion as this occurs, however, the society loses its cooperative character.

Some unavoidable limitation upon membership is, of course, imposed by the nature of the business or work carried on and this becomes greater with the degree of skill required. If the principle that all the members are to be workers in the business is observed, then obviously in a highly specialized undertaking, such, for instance, as the manufacture of shoes or hand-made window glass, only persons skilled in the various processes can be admitted to the society as members.

The present study has disclosed varying degrees of cooperativeness among the workers' productive societies. Some of these cooperative companies are in reality more of the nature of trade-union or even joint-stock enterprises than of cooperative workshops and this fact is recognized by the companies themselves. In some cases the greater part of the capital has been furnished by the local trade-union of the members' craft and in some of these only unionists are eligible for membership in the company. One of the most successful fish cannery societies has reached the point of being more nearly a profit-sharing than a cooperative society, as only a small proportion of the workers are stockholders and of the employees only the actual producers—the fishermen—share in the profits.

These societies could not, therefore, be measured by the same strict standard as the consumers' societies. In the consumers' movement, while material benefits from the enterprise are desired, there is usually also a certain amount of idealism, a vision of something above and beyond the shopkeeping activities, with shopkeeping simply a first step toward a better ordering of society to be striven for patiently but hopefully in the interest of all consumers. This may not be true of each individual cooperator nor of each individual soci-

ety, for many have material benefit as their main and only object, but it is true of the consumers' cooperative movement as a whole.

This wider vision seems to be less characteristic of the workers' productive societies.

### Geographical and Industrial Distribution

OF THE 20 societies of producers which were in operation at the end of 1929, 11 have furnished data for the present report.

The table below shows the geographical distribution of the societies in 1925 and in 1929, and of those which furnished data for the present report.

TABLE 56.—GEOGRAPHICAL DISTRIBUTION OF WORKERS' PRODUCTIVE SOCIETIES, 1925 AND 1929

State	Number in existence		Number reporting, 1929	State	Number in existence		Number reporting, 1929
	1925	1929			1925	1929	
Alaska.....	1			Ohio.....	4	2	1
Illinois.....	2			Oregon.....	5	2	2
Indiana.....	2	2	1	Pennsylvania.....	1	1	
Massachusetts.....	3	3	1	Washington.....	11	7	5
Michigan.....	1			West Virginia.....	2		
Minnesota.....	3	1		Wyoming.....	1		
Missouri.....	1	1	1	Total.....	39	20	11
New Jersey.....	1	1					
New York.....	1						

The following table shows the distribution in 1929, by kind of business carried on:

TABLE 57.—TOTAL NUMBER OF WORKERS' PRODUCTIVE ASSOCIATIONS AND NUMBER REPORTING, 1929

Type of society	Total	Number reporting	Type of society	Total	Number reporting
Box factories.....	1		Shingle mills.....	4	3
Cigar factories.....	3	2	Shoe factories.....	3	1
Coal mining.....	2		Veneer factories.....	1	1
Enameling plants.....	1		Total.....	20	11
Fish canneries.....	2	2			
Laundries.....	3	2			

### Year of Establishment

THE societies reporting have been in existence, on the average, 12 years and 10 months, although they range from 4 years and 8 months to 33 years and 2 months. One association was formed in 1896, 3 in 1915, 2 in 1920, and 1 each in 1916, 1919, 1921, 1922, and 1925.

### Membership Policies

AS ALREADY stated, a number of the societies limit their membership to trade-unionists in general, or to members of the particular craft of the society. Others make no specific limitation, admission

being open to anyone who purchases a share of stock, though, except in a society doing work requiring no particular skill or training, this could hardly be carried out cooperatively, as unqualified persons could not be employed in the business.

In one or two cases some of the stock is held by local labor organizations which are in sympathy with the cooperative project.

One association provides that—

No person shall become or remain a stockholder in this company unless he is actively engaged in working in some capacity in and about or for the company, devoting his entire time, energy, and attention to the promotion and conduct of the business of the company, and shall remain a stockholder only so long as he continues in such connections and employment of the company unless excused for a fixed period by a majority vote of the trustees of the company.

### Employment and Wage Policies

How far these societies have attained the state in which the working force and the owners are identical is shown by the following table:

TABLE 58.—NUMBER OF MEMBERS AND OF EMPLOYEES OF WORKERS' PRODUCTIVE SOCIETIES, 1925

Society	Shareholders		Nonshareholder employees	Society	Shareholders		Nonshareholder employees
	Number	Number employed in business			Number	Number employed in business	
Society No. 1.....	65	24	-----	Society No. 7.....	73	73	68
Society No. 2.....	608	162	106	Society No. 8.....	8	8	28
Society No. 3.....	68	13	-----	Society No. 9.....	16	16	18
Society No. 4.....	94	15	4	Society No. 10.....	55	26	9
Society No. 5.....	215	1	1				
Society No. 6.....	208	83	-----	Total <sup>1</sup> .....	1,405	421	236

<sup>1</sup> 1 society did not report on these points.

It is seen that in three of the societies the shareholders are identical with the workers; in two of these, however, there are more nonmember employees than there are shareholders (in one three times as many), while the third society employs nearly as many. Three societies are unable to give employment to all the shareholders, but they have no outsiders working in the business. One society has more than 200 stockholders but operates only part of the year and uses the services of only one person, although the policy of the association is to give employment to the members as fast as the condition of the business permits. Society No. 9 provides in its by-laws that "All stockholders of this company must be workers for the company unless excused from such service for good and sufficient reasons. and this provision is evidently put into practice.

Table 59 shows the number of shareholders and employees, by kind of business carried on.

TABLE 59.—NUMBER OF SHAREHOLDERS AND OF EMPLOYEES, BY KIND OF BUSINESS DONE

Kind of business	Number of societies reporting	Shareholders		Nonshareholder employees
		Number	Number employed in business	
Cigar factories.....	2	162	28	4
Fish canneries.....	2	423	84	1
Laundries.....	1	65	24	-----
Shingle mills.....	3	79	50	55
Shoe factories.....	1	603	162	108
Veneer factories.....	1	73	73	68
Total.....	<sup>1</sup> 10	1,405	421	236

<sup>1</sup> Not including 1 society which did not report on these points.

All but one of the societies work an 8-hour day; that society has a working-day of 8 hours and 40 minutes.

In seven of the associations the workers are paid union rates and two report that the "current rate" is paid. In one society the men work on a piece-rate basis.

#### Capitalization and Business

THE value of the shares runs higher in the workers' productive associations than in the consumers' societies. Common amounts are \$50 and \$100, while one society has shares of \$600 each.

Three societies place no limit to the amount of stock that may be held by any member. One association, however, limits the amount to 1 share, 1 association to 3 shares, 1 to 12 shares, 1 to 20 shares, 1 to one-fifth of the total stock, and 1 to \$10,000. One organization provides that "no member of this company shall own more shares of stock than any other member."

The working capital and amount of business done by these societies in 1929 are shown in the table following:

TABLE 60.—CAPITALIZATION AND 1929 BUSINESS OF WORKERS' PRODUCTIVE SOCIETIES, BY KIND OF BUSINESS

Kind of business	Number of societies reporting	Paid-in share capital	Surplus and reserves	Amount of business, 1929	Average business per society
Cigar factories.....	2	\$39,463	\$3,220	\$55,106	\$27,553
Fish canneries.....	2	199,124	<sup>1</sup> 407,349	801,646	400,823
Laundries.....	2	56,743	-----	160,174	80,087
Shingle mills.....	3	118,100	87,900	629,425	209,806
Shoe factories.....	1	102,800	293,670	1,354,818	1,354,818
Veneer factories.....	1	292,000	8,000	846,497	846,497
Total.....	11	808,230	800,139	3,847,666	349,788

<sup>1</sup> 1 society only.

The amount of business done by these societies during each of the 10 years, 1920 to 1929, is shown in the table following:

TABLE 61.—BUSINESS DONE BY WORKERS' PRODUCTIVE SOCIETIES OF EACH TYPE, 1920 TO 1929

Year	Cigar factories (2)	Fish canneries (2)	Laundries (2)	Shingle mills (3)	Shoe factory	Veneer factory	Total
1920.....	<sup>1</sup> \$17,345	<sup>1</sup> \$1,019,054	<sup>1</sup> \$132,643	(?)	\$175,000	-----	\$1,344,042
1921.....	<sup>1</sup> 28,231	<sup>1</sup> 601,298	<sup>1</sup> 96,142	<sup>1</sup> \$216,613	(?)	-----	942,284
1922.....	<sup>1</sup> 43,499	<sup>1</sup> 632,812	<sup>1</sup> 95,729	<sup>2</sup> 375,811	363,000	\$536,854	2,047,705
1923.....	<sup>1</sup> 51,446	<sup>1</sup> 723,043	<sup>1</sup> 111,495	<sup>2</sup> 421,542	451,000	924,812	2,683,338
1924.....	<sup>1</sup> 44,998	<sup>1</sup> 650,756	<sup>1</sup> 146,711	<sup>2</sup> 440,544	627,000	712,275	2,622,284
1925.....	<sup>1</sup> 37,170	<sup>1</sup> 749,192	<sup>1</sup> 145,985	<sup>2</sup> 470,300	796,000	743,535	2,942,182
1926.....	76,543	<sup>1</sup> 740,774	<sup>1</sup> 32,955	538,416	1,092,697	(?)	2,481,385
1927.....	81,500	869,750	<sup>1</sup> 35,689	532,691	1,264,561	(?)	2,784,191
1928.....	61,282	762,531	<sup>1</sup> 34,838	527,608	1,374,413	(?)	2,760,672
1929.....	55,106	801,646	160,174	629,425	1,354,818	846,497	3,847,666

<sup>1</sup> 1 society only.

<sup>2</sup> No data.

<sup>3</sup> 2 societies only.

### Amount and Division of Profits

IN ADDITION to the wages paid, the stockholder employees receive a share of any profits made by the business. The basis of division of profits varies in the different societies. Of the 11 reporting, 6 divide the profits on the basis of the stock held by the individual, just as in the ordinary stock company. Two of the organizations divide the profits equally among the shareholder employees, while one-half of the profits are so divided in another. A somewhat different method is used by the two fish canneries. One pays 6 per cent interest on the capital stock; of the remaining profits 25 per cent is put into a sinking fund while the remaining 75 per cent is divided among the fishermen who deliver their catch to the association. In the other company, 50 per cent of the profits goes into a surplus fund upon which the shareholders receive interest at the rate of 3 per cent (this fund being regarded as loan capital), the other 50 per cent being divided among the fishermen in proportion to the amount of fish each one has delivered; interest at the rate of 2 per cent is paid on the share capital.

The table below shows the number of societies reporting a profit or loss on the 1929 business, its amount, and the amount returned to the shareholders:

TABLE 62.—PROFITS AND LOSSES OF WORKERS' PRODUCTIVE SOCIETIES, AND AMOUNT DIVIDED AMONG MEMBERS

Kind of business	Number reporting profit or loss	Amount of profit	Amount divided among members
Cigar factories.....	1	<sup>1</sup> \$760	\$250
Fish canneries.....	1	30,192	-----
Laundries.....	2	<sup>2</sup> 2,951	<sup>2</sup> 2,915
Shingle mills.....	3	<sup>2</sup> 9,711	<sup>2</sup> 4,500
Shoe factories.....	1	47,937	15,420
Veneer factories.....	1	75,210	25,550
Total.....	9	<sup>2</sup> 166,001	48,635

<sup>1</sup> Loss.

<sup>2</sup> 1 society; the other reported a loss of \$4,871.

<sup>3</sup> 1 society.

<sup>4</sup> 1 society; 1 had a loss of \$7,000, and the third a loss the amount of which was not reported.

<sup>5</sup> Not including losses reported, aggregating \$12,631.

## Business Methods and Management

THE final control of the society lies in the general meeting of stockholders. In all but two of the associations reporting, each shareholder has but one vote irrespective of his investment in the organization. Proxy votes are prohibited in five societies but the other six allow this method of voting.

The actual conduct of the business rests upon the board of directors and the manager. The latter receives his position by election, by the board of directors in three societies and by the stockholders in five societies. Once elected, however, he has authority over the workers—both members and nonmember employees—except that usually a stockholder may not be discharged except by vote of the general meeting. One association specifies in its by-laws that "each stockholder shall perform any kind of work in or about the plant to which he may be assigned, in a creditable manner, and shall not work for his personal interest but for the interest of all concerned."

Regular audits of the books are made in all of the 10 societies which reported, and all but one of these employs a professional auditor for the purpose. In this exceptional society the accounts are audited by a committee appointed from among the stockholders. In one organization the audits are made monthly, in another quarterly, and in a third, yearly.

## Other Benefits

ONE society has established a compensation fund from which a member who is incapacitated for work receives benefits at the rate of \$15 a week for the first four days and \$20 a week thereafter. In case of accident while at work the member receives \$2 a day (except for Sundays and holidays) during the time he is absent from work, subject to a maximum of 90 days' benefit, which period may, however, be extended by a majority vote of the members. In case of death the society pays a death benefit of \$200.

## Development from 1925 to 1929

THE table below compares the returns in 1925 with those in the present study. It shows that the sales, share capital, surplus and reserves, and net profit per society were larger in 1929 than in 1925. More of the profit was retained in the business in 1929, however, and a smaller amount was returned to the stockholders.

TABLE 63.—DEVELOPMENT OF WORKERS' PRODUCTIVE SOCIETIES, 1925 AND 1929

Item	1925	1929	Item	1925	1929
Number of societies reporting.....	21	11	Business:		
Shareholders:			Amount.....	\$4, 573, 329	\$3, 847, 666
Number.....	2, 438	1, 405	Average per society....	238, 596	349, 788
Number employed.....	465	421	Profits:		
Nonshareholder employees.....	807	236	Amount.....	<sup>1</sup> 229, 458	<sup>1</sup> 153, 370
Share capital:			Average per society....	16, 390	30, 674
Amount.....	\$1, 025, 509	\$808, 230	Amount returned to shareholders.....	109, 470	48, 635
Average per society....	51, 275	73, 475	Average per society....	27, 368	9, 727
Surplus and reserves:					
Amount.....	653, 590	800, 139			
Average per society....	72, 621	100, 007			

<sup>1</sup> Net, after deducting losses.

## Chapter VI.—Dissolved Societies

**I**N THE four years since the bureau's previous study, 596 societies are reported as having gone out of business. Not all of these went bankrupt (some sold out to private persons or voluntarily dissolved and some reorganized on a joint-stock basis) but this number of societies was lost to the cooperative movement. Kansas led the list with 71 societies failed, voluntarily dissolved, or sold. The greatest mortality occurred in some of the agricultural States of the Middle West—Illinois, Iowa, Kansas, Minnesota, Nebraska, and Wisconsin—but Pennsylvania and Washington also suffered severe losses.

In some instances the society failed because of circumstances over which it had no control. Thus, two miners' societies had to close because the mine shut down and many members were forced to move to other places to find work, while in a third instance failure of the natural gas in the region caused the removal of the businesses using it as well as of their employees who were members of the cooperative society. The farmers' societies naturally suffered the consequences of the depression in agriculture.

In the remaining cases the same reasons for nonsuccess occur again and again: (1) Poor (or dishonest) management; (2) too much credit; (3) overhead too high; (4) insufficient capital; and (5) lack of patronage and support by the members. Loss of interest by the membership caused the dissolution of the society in several cases. One of these had been operating successfully under a special charter since 1877; when the charter ran out the membership was not sufficiently interested either to renew the charter or to incorporate under the State cooperative law, and so voted to disband. Another society, whose manager had made large profits over a period of years and whose members had accordingly profited by a high dividend return, voted to dissolve when a small loss was sustained. There are isolated cases in which other causes figured, such as overstocking at high prices only to be caught by a falling market, dissension among the membership over politics, etc., but the five reasons given above seem to have been the most powerful of the preventable factors leading to failure. The records of the bureau are filled with instances of failure caused by one or a combination of these factors. The consideration that arrests the attention here is that these are all preventable if the society has wide-awake loyal members and a board of directors that is on the job.

### Losses Due to Failure of Cooperative Societies

**I**N THE endeavor to find out just what losses to the members and business men having dealings with cooperative societies are caused by the failure of the latter, this question was propounded in all cases in which a former officer or member could be located. It was interesting to note what comparatively small losses were involved either to members or to creditors, but especially to the latter. Thus, of 70 societies which have gone out of business and for which the bureau

has data, 7 dissolutions involved losses to neither members nor outsiders. The losses to members in 36 cases aggregated \$291,616; as these societies had a combined membership at the time of dissolution numbering 2,651, there was an average loss per member of \$110. In four societies all the members' share capital was lost (and in one of these each member was also assessed \$5 on each share held); while in one society each the loss amounted to 82 per cent, 75 per cent, 73 per cent, 70 per cent, 67 per cent, 50 per cent, 25 per cent, and 8 per cent of the share capital. In one case of voluntary liquidation each member received \$1.75 for each \$1 he had invested, and in another \$1.50 for each \$1.

In 49 cases there was no loss to creditors, in 2 cases the creditors received only 50 per cent of the amounts owed them, and in 1 case only 40 per cent. In the 9 cases in which the amount of the creditors' losses was reported these aggregated \$96,030, of which \$82,439 was lost in the failure of two workers' productive enterprises; the losses of the creditors of the 7 consumers' societies were therefore only \$13,591, or less than \$2,000 per dissolution.

### **Period of Business Operation**

**I**N 68 cases in which both the date of establishment and of dissolution are known, 16 were in operation less than 5 years, 28 between 5 and 10 years, 18 between 10 and 15 years, 2 between 15 and 20 years, 1 between 25 and 35 years, 2 between 35 and 50 years, and 1 for over 50 years.

## Chapter VII.—Legislation Relating to Consumers' Cooperative Societies

### General Summary

CONSIDERABLE amendment has been made in the past 10 years in the legislation relating to consumers' cooperative societies. This chapter endeavors to present a picture of the laws governing such societies, as of June, 1930.

Perhaps the most extensive amendments have been made in the laws of Oregon and Wisconsin, but many changes have also been made in those of Connecticut, Minnesota, Missouri, New York, and South Dakota. Arkansas passed an entirely new act in 1921, while in the same year the North Dakota statute (which had previously been much amended) was again amended and the whole was reenacted.

There are now on the statute books consumers' cooperative laws<sup>1</sup> of varying completeness in 34 States and Alaska.<sup>2</sup> In Alabama, New York and Washington, there are separate enactments for associations organized with capital stock and those without it. The most complete laws are those of Illinois, Iowa, Minnesota, Missouri, New York, North Dakota, Oregon, and Wisconsin. The briefest are those of Ohio (which consists of two short sections permitting the formation of "trading associations dealing in articles of merchandise" and authorizing the distribution of earnings in proportion to purchases), Tennessee (three sections, permitting associations to buy or sell agricultural products and merchandise and setting the number necessary for incorporation), and Vermont (one section, setting up a definition and standards to be followed).

It may be said that the amendments made in the past 10 years have been almost entirely in the direction of liberalizing the laws, widening the fields of business which may be entered, enlarging the powers of the associations organized under them, and raising the requirements or standards from the cooperative point of view.

<sup>1</sup> Some of these, however, also cover agricultural marketing associations.

<sup>2</sup> Alabama (stock—Code, 1923, secs. 7047-7056; nonstock—Code, 1923, secs. 7057-7061); Alaska (Acts of 1917, ch. 26); Arkansas (Acts of 1921, No. 632); California (Civil Code, 1906, sec. 653a-1, as amended by Acts of 1921, ch. 170); Colorado (Comp. Laws, 1921, secs. 2413-2417); Connecticut (Gen'l Stats., 1918, secs. 3600-3609, as amended by Acts of 1919, ch. 96; Acts of 1921, ch. 115; Acts of 1923, ch. 110; and Acts of 1925, ch. 227); Florida (Comp. Gen'l Laws, 1927, secs. 6385-6390); Illinois (Rev. Stats., 1917, ch. 32, secs. 103-129, 233-259, as amended by Acts of 1917, pp. 308, 304); Indiana (Burns' Ann. Stats., 1914, sec. 4359a-4359e); Iowa (Code, 1927, ch. 389, as amended by Acts of 1929, chs. 5, 19, 398); Kansas (Rev. Stats., 1923, secs. 17-1501 to 17-1515); Kentucky (Carroll's Kentucky Stats. (Baldwin's Rev.), 1930, secs. 883d-1 to 883d-9); Massachusetts (Gen'l Laws, 1921, ch. 157); Michigan (Comp. Laws, 1922, ch. 175, secs. 9053 (78)-9053 (96)); Minnesota (Gen'l Stats., 1923, ch. 53, secs. 7822-7847); Missouri (Rev. Stats., 1919, secs. 10247-10262, as amended by Acts of 1919, p. 270; Acts of 1925, p. 145; Acts of 1929, p. 334); Montana (Rev. Codes, 1921, ch. 25, secs. 6375-6390); Nebraska (Comp. Stats., 1922, secs. 642-648, as amended by Acts of 1925, ch. 79); Nevada (Rev. Laws, 1912, secs. 1249-1260); New Jersey (Comp. Stats., 1910, pp. 1580-1584); New York (stock—Acts of 1913, ch. 454, as amended by Acts of 1920, chs. 104 and 591; Acts of 1921, ch. 359; Acts of 1923, ch. 231, art. 7; nonstock—Acts of 1920, ch. 166, art. 21, as amended by Acts of 1926, ch. 231, art. 5); North Carolina (Consol. Stats., 1919, secs. 5242-5259); North Dakota (Acts of 1921, ch. 43); Ohio (Gen'l Code, 1910, secs. 10185, 10186); Oklahoma (Comp. Stats., 1921, secs. 5637-5652); Oregon (Olson's Oreg. Laws, 1920, secs. 6954-6981, as amended by Acts of 1929, ch. 412); Pennsylvania (Stats., 1920, secs. 5520-5542, as amended by Acts of 1923, No. 404; Acts of 1929, Nos. 211, 215); South Carolina (Civil Code, 1922, secs. 4331-4343); South Dakota (Rev. Code, 1919, secs. 8339-8853, as amended by Acts of 1919, ch. 140; Acts of 1921, ch. 153; Acts of 1923, chs. 127 and 131; Acts of 1929, ch. 89); Tennessee (Thompson's Shannon's Code, 1919, secs. 2186-2188); Vermont (Gen'l Laws, 1917, title 25, sec. 4897, as amended by Acts of 1929, No. 81); Virginia (Ann. Code, 1919, sec. 3855, as amended by Acts of 1923, ch. 166); Washington (stock—Acts of 1913, ch. 19, as amended by Acts of 1925, ch. 99; nonstock—Remington & Ballinger's Code, secs. 3752-3764); Wisconsin (Wisconsin Stats., 1923, secs. 185.01-185.23, as amended by Acts of 1925, ch. 181; Acts of 1928, 1929, ch. 527); and Wyoming (Comp. Stats., 1920, secs. 5119-5134).

The laws of 24 States now contain provisions as to the distribution of earnings, and these provisions always include the payment of patronage dividends. Only eight States<sup>3</sup> leave the distribution of earnings to be determined by the association in its by-laws, but of these the laws of Florida, Indiana, and Kansas set up a cooperative standard (in defining a "cooperative association" within the meaning of the act) which must be met by all associations organized under the act, and which always includes the payment of dividends on the basis of patronage. The laws of five States (Alabama, Arkansas, Colorado, New York (nonstock), and Washington) are silent as to distribution of earnings, but in those of Arkansas and Colorado the association must conform to the cooperative standard of the act. Thus it may be said that the most characteristic feature of cooperative associations—distribution of the earnings of the association on the basis of patronage and not on capital invested—is now provided for in more than 80 per cent of the laws.

An increasing number of laws are recognizing the value of the teaching of the principles of cooperation and are making provision for the appropriation, from the societies' net earnings, of a certain proportion (generally 5 per cent) for this purpose. In only five States, however, has this provision as yet been made mandatory.

In 1929 the former Pennsylvania provision prohibiting an association from either giving credit or taking it was repealed.

Provisions unusual, but in the direction of cooperative progress, are that of Wisconsin allowing the stockholders, at their option, either to return all of the net earnings to the patrons or to use them "for the general welfare of the members of the association"; that of Oklahoma and Wyoming holding the directors liable in case they distribute dividends when the association is bankrupt or on the verge of insolvency; the Missouri law requiring that the books of the association be audited once a year by a "competent auditor" who is not a member of the association; and two Wisconsin provisions, one of which permits a consumers' association to enter into contracts binding the member to purchase all of his goods through it or through facilities created by it, and the other of which forbids discrimination by other business organizations against cooperative societies on pain of forfeiture of charter or license to do business.

A few of the changes in the cooperative laws seem to be of rather dubious value from the cooperative standpoint, as, for instance, the amendment of the New York and Oregon laws so as to permit the appointment of persons not connected with the association to serve as secretary and treasurer, and in the latter State to permit the directors to reside and hold meetings outside the State. Other provisions in this class are that of Montana allowing the society to put the value of its shares as high as \$5,000 (though it is specified that they may be paid for in installments); the Missouri provision allowing each member, in the election of the directors, to cast as many votes as he has shares, multiplied by the number of directors to be elected; and the South Dakota provision specifying that in associations with capital of more than \$500,000 voting shall be by shares.

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<sup>3</sup> California, Connecticut, Florida, Indiana, Kansas, Nevada, New Jersey, and Ohio.

## Definition of "Cooperative Association"

THE laws of 11 States contain some definition of what shall constitute a "cooperative association" within the meaning of the act. Those of Arkansas, Kansas, and Kentucky define such an association as one which distributes its earnings by a fixed return on capital and pro rata dividends on patronage, while the Wisconsin law adds to this definition the requirement of one vote per member. The laws of Colorado, Florida, Indiana, Michigan, Nebraska, and North Dakota define a cooperative association as one which distributes its earnings wholly or in part on the basis of patronage or of services performed for the association. The New York (stock) law considers as a cooperative organization one conducted "primarily for the mutual help and benefit of its shareholders, employees, and patrons, without profit, which pays not to exceed 6 per cent on capital and distributes the remainder on the basis of patronage or of labor performed for the society."

## Kind of Business Permitted

THE cooperative laws of eight States <sup>4</sup> give cooperative associations formed under them blanket authority to carry on "any lawful business," that of Kansas permits any business or industrial pursuit, while that of Vermont permits any business "not repugnant to the laws of the State." The law of Missouri covers any agricultural or mercantile business, while that of Massachusetts adds dairies to these two fields of business. The Ohio law (perhaps the briefest cooperative enactment) authorizes the formation only of trading associations dealing in articles of merchandise, while that of Tennessee adds to this the right to buy and sell agricultural products. Seven States <sup>5</sup> permit any agricultural, dairy, mercantile, mining, manufacturing, or mechanical business, while to this list Arkansas adds banking; Minnesota adds marketing, warehousing, commission business, building, telephone, and the supply of electricity, heat, light, or power; and North Dakota adds grain elevators and the telephone business. Virginia substitutes brokerage for mining in the above list, while Oklahoma and Wyoming substitute livestock, irrigation, horticultural, and industrial businesses for mining.

The law of Alabama allows the carrying on by cooperative societies of any mutual aid, benefit, or industrial business; the law of Alaska permits any lawful mercantile, manufacturing, agricultural, or other industrial pursuit; that of Connecticut, trade or any lawful mercantile, mechanical, manufacturing or agricultural business; and that of Illinois, any general mercantile, manufacturing, or producing business. The Montana law permits a cooperative association to carry on trade or any branch of industry, and the purchase or distribution of commodities for consumption, and even to borrow or lend money for industrial purposes. The New Jersey law permits the operation of mechanical, mining, manufacturing, or trading businesses.

The most detailed laws in this respect are those of New York and Pennsylvania. The New York law relating to cooperative associa-

<sup>4</sup> California, Colorado, Florida, Indiana, Michigan, Nebraska, Nevada, and Oregon.

<sup>5</sup> Iowa, Kentucky, North Carolina, South Carolina, South Dakota, Washington (stock), and Wisconsin.

tions with capital stock gives them the right to carry on any general producing, manufacturing, warehousing, merchandising, or processing and cleansing business in articles of common use, including farm products, food supplies, farm machinery and supplies, and articles of personal and domestic use; buying, selling, or leasing homes or farms for members; or building or conducting housing or eating places. The nonstock law of the same State permits the purchase, manufacture, preservation, drying, canning, storing, handling, and utilization of agriculture, dairy, horticultural, or other food products, family or other household supplies to be consumed by the families or guests of the members or any other household operation; the performance of services connected with the purchase or hiring of supplies, machinery, or equipment; or educational work in home economics or mutual help in educational work. The Pennsylvania law permits the operation of any agricultural, horticultural, mining, quarrying, building, mechanical, or manufacturing business; cultivating, raising, trading or dealing in all kinds of goods or produce, or of livestock; or the holding, leasing, or improving land, tenements, or buildings.

### Number Who May Organize

IN FOUR States<sup>6</sup> only three persons are necessary for the incorporation of a cooperative society, but the Vermont act requires that they must be adults and Kentucky that they must be residents of the State. The Montana act specifies not less than three nor more than seven persons. In 17 States<sup>7</sup> five persons are required for incorporation (of whom a majority must be residents, in Alaska). Seven persons are required in Connecticut, Massachusetts, New Jersey, and Tennessee, 10 in Colorado, Florida, and Oklahoma, 12 in Missouri, 15 in Alabama (nonstock associations, a majority of incorporators must be residents of State) and North Dakota, 20 in Arkansas, Kansas (all citizens), and Nebraska, and 25 in Indiana. The Ohio act contains no provision on the subject.

### Management

*Directors.*—The great majority of the laws specify that the cooperative association shall have not less than five directors, those of 18 States<sup>8</sup> having this provision. The number may not be less than three in Kentucky, Montana, Vermont, Washington (stock), and Wyoming, not less than 5 nor more than 9 in South Carolina, and not less than 7 nor more than 9 in Alabama (nonstock). The Pennsylvania law sets the number of directors at 6, 8, or 10; the matter is left to the association to fix, in its by-laws, in Nevada, New York (nonstock associations only), and Washington (nonstock), while the acts of nine States<sup>9</sup> contain no provision on the subject. The Oregon law prohibits any director from occupying a salaried position in the association or to be a party to any contract with the association which will yield him a profit.

<sup>6</sup> Kentucky, Michigan, New York (stock), and Vermont.

<sup>7</sup> Alabama (stock), Alaska, California, Illinois, Iowa, Minnesota, Nevada, New York (nonstock), North Carolina, Oregon, Pennsylvania, South Carolina, South Dakota, Virginia, Washington, Wisconsin, and Wyoming.

<sup>8</sup> Alabama (stock), Alaska, Arkansas, Connecticut, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, New Jersey, New York (stock), North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, and Wisconsin.

<sup>9</sup> California, Colorado, Florida, Indiana, Massachusetts, Nebraska, Ohio, Tennessee, and Virginia.

*Officers.*—Practically all of the laws which have any provision as regards officers specify that they shall consist of a president, one or more vice presidents, secretary, and treasurer (the last two of which may be combined).<sup>10</sup> Of these acts, those of 12 States<sup>11</sup> require that the officers shall be elected by the directors from their own number. The Kansas and New Jersey acts except the secretary from this provision, and those of Missouri, New York (stock), and Wisconsin except both secretary and treasurer. The Oregon and New York laws differ from all the others in this respect. The New York law relating to stock associations specifies that the secretary and treasurer need not even be stockholders in the organization, while the Oregon law gives the directors permission to engage as secretary and treasurer any persons considered capable of rendering the most efficient service.

*Term of office.*—Most of the laws leave the term of office of directors to be determined by the association in its by-laws. Those of Alabama (nonstock), Alaska, Connecticut, New Jersey, Oklahoma, Pennsylvania, Vermont, and Wyoming, however, provide that they shall be elected for one year, that of Oregon for not more than two years, that of New York (nonstock) for three years, and that of South Dakota for not more than three years.

The laws of 13 States<sup>12</sup> provide for one-year terms for the officers. The remaining laws are silent on this point.

### Capital Stock

ALL OF the laws except those of California and Nevada provide for associations with capital stock. Alabama, New York, and Washington have two cooperative laws each—one relating to associations with capital stock, and the other to nonstock associations; in the latter type of association the funds are obtained through the sale of membership certificates. The laws of Oregon and Wisconsin offer the association a choice as regards its manner of capitalization, but the same law covers both types of associations. In almost all instances capital stock is all of one class, but the laws of Oregon and Virginia permit the issuance of both preferred and common stock and that of Pennsylvania the issuance of "permanent" stock which is transferable (subject to the by-laws) but not withdrawable and of which each member must purchase at least one share, and "ordinary" stock, which is both transferable and withdrawable in accordance with the by-laws.

*Amount.*—Generally the cooperative law sets no limit upon the amount for which an association may be capitalized. The act of South Carolina, however, provides that no association may be capitalized at less than \$100, that of Vermont at less than \$500, and that of Alabama at less than \$5,000. The Massachusetts law specifies that the capital stock may not be less than \$100 nor more than \$100,000. Maximum limits of \$100,000 and \$200,000, respectively, are set by the laws of Minnesota and Connecticut.

<sup>10</sup> Alaska, Arkansas, Illinois, Iowa, Kansas, Kentucky, Michigan, Minnesota, Montana, New Jersey, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Washington, and Wisconsin.

<sup>11</sup> Arkansas, Illinois, Iowa, Kentucky, Michigan, Minnesota, New York (stock), North Carolina, North Dakota, South Carolina, South Dakota, and Washington (stock).

<sup>12</sup> Arkansas, Illinois, Iowa, Kansas, Kentucky, Michigan, Minnesota, New York, North Carolina, South Carolina, South Dakota, Washington, and Wisconsin.

The Alabama law requires that \$5,000 in capital must be in hand before the association is allowed to start its business operations, while the acts of Arkansas, Kansas, Minnesota, and Oklahoma require at least 20 per cent and that of Washington (stock) at least 25 per cent of the capital, and that of Wyoming at least 20 per cent of the stock subscribed for. The Oregon law specifies that 60 per cent of the common stock must be subscribed for and 25 per cent paid in before business may be begun.

*Value of shares.*—Only seven laws place any limit on the value of the individual share, this matter usually being left to the society to determine. Of these seven, however, that of New York specifies that each share shall be not more than \$5 and that of South Carolina not less than \$5, that of Pennsylvania not less than \$5 nor more than \$25, that of Illinois not less than \$5 nor more than \$100, that of New Jersey not more than \$50, and that of Vermont not more than \$100. In Montana shares may be not less than \$10 nor more than \$5,000 each, and may be paid for in installments.

*Stock ownership per member.*—The maximum amount of stock which any individual member may own in a cooperative association is set by the law of Montana at 1 share, by that of Illinois at 5 shares or not to exceed \$500 in value, by that of Oklahoma at 5 per cent of the stock outstanding, but not to exceed \$500 in value, and by that of Nebraska at 5 per cent of the stock in the case of individuals and 20 per cent in the case of other organizations which are members of the association. No individual member may hold more than 10 per cent of the association's stock in Arkansas, Kansas, Massachusetts, Missouri, and Vermont, or more than 20 per cent in North Carolina, South Carolina, and Washington. The law of Wyoming limits the amount to one-third of the shares outstanding but not to exceed \$1,000 in value, while the sum of \$1,000 is set as a limit by the law of Minnesota (10 per cent of the amount of paid-in capital and permanent surplus, in the case of member associations), Pennsylvania (but this may be increased by vote of the members), and Virginia (in common stock only). The South Dakota law sets the maximum sum at \$1,000 in associations with capital of \$100,000 or less and 1 per cent of the stock in those with capital of more than that amount. The laws of Iowa and New York set the maximum at \$5,000. The other laws contain no provision on this point.

### Liability of Members and Directors for Debts of Association

AN INDIVIDUAL member may be held liable for debts of the association only in the amount still unpaid on the capital stock subscribed by him in Arkansas, Illinois, Montana, New Jersey, Oklahoma, Oregon, Washington (stock), and Wyoming. In Pennsylvania, however, he is also liable for the full amount owed by the association on the wages of its employees.

The laws of Iowa and Missouri specifically state that the private property of a member shall be exempt from execution for the debts of the corporation, while in Pennsylvania, in case of the private debts of a member who is a householder with a family, \$25 worth of stock is exempt from execution. In Montana the member's stock in the association, up to \$500, is exempt from attachment or sale under execution.

In New York (nonstock) the individual member is liable for whatever amount is specified on the association's certificate of incorporation. In general the liability consists of his per capita share of all "contracts, debts, and engagements" of the society, plus an equal amount in case any other member's liability proves to be uncollectible, plus any further amounts specifically mentioned in the certificate of incorporation.

In Oklahoma the directors are liable for any debts, agreed to by them, in excess of the society's subscribed capital and surplus, and in Wyoming for any amounts in excess of the capital stock.

### Voting

THE democratic principle of one man, one vote, regardless of the amount of stock held, is set down as a requirement in the laws of 24 States.<sup>13</sup> This is a requirement in Missouri, also, in all matters except the election of the directors; in that case each member is entitled to cast as many votes as he holds shares, multiplied by the number of directors to be elected. The Oregon law provides that in an emergency threatening the life of the association, voting may be in proportion to the member's patronage of the association, while that of Virginia allows, as an exception to the general 1-vote policy, that the association may specify that stock held by persons who are not members of certain designated nonstock corporations shall have no voting power. The law of South Dakota requires that in associations with capital of more than \$500,000 voting shall be by shares.

*Vote by mail or proxy.*—Vote by mail by a member unavoidably absent is allowed under the laws of 10 States,<sup>14</sup> provided the absentee has been previously notified in writing of the question to be voted upon and provided he returns with his ballot a copy of the motion upon which he is casting his vote (in Oregon a statement signed by him). The Minnesota act also requires that the vote must be signed and certified by the stockholder. The Michigan law requires that opportunity to vote by mail must be afforded to absent members, while that of New York (nonstock) provides for voting by registered mail on certain specific questions. The California law provides that the conditions of vote by mail or proxy may be determined by the association in its by-laws, but in all cases secrecy of ballot must be maintained. The Alabama (nonstock) law specifically permits votes by mail and by proxy in the election of the directors; in such cases proxies must be filed 30 days before the election. Under the Oklahoma act the association may determine its policy as regards voting by mail and by proxy, but unless these questions are specifically covered in the by-laws both types of voting are prohibited.

Proxies are forbidden by the laws of New Jersey, New York (nonstock), Oregon, Pennsylvania, and Wisconsin. The North Carolina act provides that proxies must be written and that no member may vote more than one.

<sup>13</sup> Alaska, Arkansas, California, Connecticut, Iowa, Kansas, Kentucky, Massachusetts, Minnesota, Montana, Nevada, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Vermont, Virginia, Washington, Wisconsin, and Wyoming.

<sup>14</sup> Illinois, Iowa, Minnesota, New York (stock), North Carolina, North Dakota, Oregon, South Dakota, Washington (stock), and Wisconsin.

## Distribution of Earnings

THE laws of 16 States<sup>15</sup> contain mandatory provisions governing the manner in which the net earnings of the association shall be distributed, while those of 8 others<sup>16</sup> contain suggested procedure but leave its adoption to the action of the association. In most cases in which the law covers the question of distribution of earnings, the provision for reserves, a fixed return (at a specified rate) on capital, and patronage dividends are most frequently required, but a few also provide for depreciation reserves and 14 States specifically authorize the appropriation of a certain percentage of the profits for a fund to be used for the teaching of the principles of cooperation.

The laws of 13 States<sup>17</sup> require that the distribution of earnings must take place at least once a year.

*Mandatory provisions.*—The law of Massachusetts provides that cooperative associations may pay in interest on capital stock not more than 5 per cent, that of Pennsylvania not more than 5 per cent on “ordinary” stock and 6 per cent on “permanent” stock, those of New York (stock) and Vermont not more than 6 per cent, that of Michigan not more than 7 per cent, and those of Alaska, Minnesota, Nebraska, Oregon, and Washington (stock) not more than 8 per cent. The Minnesota law provides that interest shall be paid on capital stock only when the income has been sufficient to pay it, and that such interest shall not be cumulative (in case of failure to pay in previous years); violation of the provisions relating to interest is punishable by cancellation of the society’s charter. The Montana law provides for interest at 8 per cent, and that of Missouri at not to exceed 10 per cent. The Illinois law calls for the payment of interest on stock, but sets no limit—either minimum or maximum—on the rate to be paid.

The laws of 13 States require regular appropriations from the net income, to be added to the reserve fund. The accessions to this fund are set at 5 per cent of the net profits in Pennsylvania, Nebraska, and Montana, and at 10 per cent in Alaska and Connecticut. Not less than 10 per cent must be so appropriated in Massachusetts, Missouri, New York, and Vermont. The Oregon law requires that some provision be made for reserves out of each year’s net earnings, but does not specify the rate, while in Washington (stock) not less than 10 per cent nor more than 25 per cent must be so appropriated. In South Dakota not less than 25 per cent must be set aside. Some of the laws permit the reduction or discontinuance of the appropriations to the reserve fund when this fund reaches a certain amount, fixed at 20 per cent of the paid-in capital in Nebraska and Connecticut, 30 per cent in Massachusetts, Montana, and New York, and 50 per cent in Missouri, South Dakota, and Vermont. In Minnesota all of the first and second year’s earnings may be covered into the reserve fund, and thereafter 10 per cent must be, until the fund amounts to 50 per cent of the paid-in capital.

Only five States require the setting aside of funds to teach cooperation. Of these, the law of Pennsylvania requires 2½ per cent of the

<sup>15</sup> Alaska, Connecticut, Illinois, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Jersey, New York (stock), Oregon, Pennsylvania, South Dakota, Vermont, and Washington (stock).

<sup>16</sup> Iowa, North Carolina, North Dakota, Oklahoma, South Carolina, Virginia, Wisconsin, and Wyoming.

<sup>17</sup> Alaska, Illinois, Iowa, Massachusetts, Michigan, Missouri, Montana, New York (stock), North Carolina, North Dakota, Vermont, Washington (stock), and Wisconsin.

net profits, that of South Dakota not less than 1 nor more than 5 per cent, those of Alaska and Montana 5 per cent, and that of Massachusetts not more than 5 per cent.

The law of Minnesota requires that "reasonable and adequate" reserves for depreciation be made, while that of Pennsylvania requires that buildings shall be depreciated at the rate of 2½ per cent and furniture and fixtures at the rate of 10 per cent.

The laws of 12 States<sup>18</sup> require that after provision is made for some or all of the above-mentioned funds (capital, reserve, depreciation, education, etc.), the remainder shall be distributed as dividends. The laws of Massachusetts, Montana, New York (stock), and Oregon provide that patronage dividends shall be paid to nonmembers as well as to members, and those of Massachusetts, Montana, and Oregon that the nonmember's dividends may be applied on the purchase of a share of stock so that he eventually becomes a member of the association. The Pennsylvania law requires that all patronage dividends be applied on the purchase of stock until each member has to his credit the maximum allowed. The law of Washington (stock) provides that any dividend uncalled for at the end of 6 months, and that of Oregon at the end of one year, shall revert to the association.

*Optional provisions.*—Subject to revision by the association, the laws of eight States set maximum limits on the rate of interest payable on stock, the limit being 6 per cent in North Carolina and South Carolina, 8 per cent in North Dakota, Oklahoma, Virginia, Wisconsin (may not be cumulative), and Wyoming, and 10 per cent in Iowa.

Likewise subject to the ultimate decision of the stockholders, suggested provision for reserves is given in the laws of nine States.<sup>19</sup> Those of Iowa, North Carolina, South Carolina, Virginia, and Wyoming suggest annual appropriations of not less than 10 per cent, that of North Dakota of not more than 10 per cent, and that of Kentucky of from 10 to 25 per cent.

Provision for an educational fund, at the rate of not less than 2 per cent, is suggested in the law of North Carolina, of 5 per cent in the acts of Iowa, Minnesota, New York (stock), Oklahoma, South Carolina, and Virginia, of not less than 5 per cent in Wisconsin, and of not more than 5 per cent in North Dakota.

Dividends on employees' wages at the same rate as members' patronage dividends are permitted in the laws of Iowa, Massachusetts, New York (stock), North Carolina, North Dakota, South Carolina, Virginia, and Wisconsin.

The Wisconsin law provides that after provision for reserve, depreciation, interest, and education, all or part of the remainder of the net profits may be used "for the general welfare of the members of the association," or in case the stockholders so decide, the whole amount of the net proceeds of the year's business may be returned to the patrons.

The laws of Oklahoma and Wyoming contain the provision that if the directors distribute dividends when the association is insolvent or when such distribution would make it so, they shall be jointly and

<sup>18</sup> Alaska, Illinois, Iowa, Massachusetts, Minnesota, Missouri, Montana, Nebraska, New York, Oregon, Pennsylvania, and Washington.

<sup>19</sup> Iowa, Kentucky, Michigan, North Carolina, North Dakota, Oklahoma, South Carolina, Virginia, and Wyoming.

severally liable for all debts of the association then existing or thereafter incurred during their incumbency; however, any director may relieve himself of this liability by filing with the secretary of the association and with the county clerk his written objection to such payment of dividends.

### Purchase of Stock of Other Cooperative Organizations

THE laws of 16 States<sup>20</sup> permit a cooperative society to subscribe for shares (i. e., become a member) of another cooperative organization.

A majority vote of the members is required before the association may purchase stock in another organization, by the laws of Michigan, New York, North Dakota, Pennsylvania, South Carolina, South Dakota, Virginia, Washington, and Wisconsin, by a majority vote of a majority of the members in Iowa, and by a two-thirds vote of two-thirds of the members in Illinois.

Only the surplus may be used for this purpose in Illinois, and only the reserves in Iowa, Michigan, and South Carolina.

The Pennsylvania act puts no limit on the amount of the investment. The amount, however, is limited in Illinois to 25 per cent of the amount of paid-in capital if authorized by a two-thirds vote of the members; the directors may of their own judgment invest an amount not to exceed 10 per cent of the amount of paid-in capital. In Iowa, New York (stock), South Carolina, and South Dakota, the amount may not exceed 25 per cent, in Michigan 20 per cent, and in New Jersey one-third of the paid-up capital. In Oregon the amount so invested may not exceed 20 per cent and in Wisconsin 25 per cent of the paid-in common stock and reserves.

The amount of the other organization's stock that may be purchased is limited in Kansas to 5 per cent of its stock, and in Minnesota to 10 per cent of its capital and permanent surplus.

### Annual Reports

ANNUAL reports to some specified State authority are required from cooperative societies in 14 States. Thus the law of Arkansas requires that the report be made to the State Commissioner of Mines, Manufactures, and Agriculture; those of Illinois, Iowa, Kansas, North Dakota, Washington (stock), and Wisconsin to the Secretary of State, and of Connecticut to the Secretary of State and to the clerk of the town in which the association is located; that of Minnesota to the State Commissioner of Agriculture; that of New Jersey to the clerk of the county and to the State Bureau of Statistics of Labor and Industries; that of New York to the State Department of Farms and Markets; that of North Carolina to the Secretary of State and the Division of Markets and Rural Organizations; that of Oregon to the State Corporation Commissioner; and that of South Carolina to the State Commissioner of Agriculture, Commerce, and Industries.

In Connecticut failure to make the above report subjects the board of directors, jointly and severally, to liability for all existing debts of the association. In New Jersey failure to report, or the making of any false statement in the report, subjects each director or officer

<sup>20</sup> Arkansas, Illinois, Iowa, Kansas, Michigan, Minnesota, New Jersey, New York (stock), North Dakota, Oregon, Pennsylvania, South Carolina, South Dakota, Virginia, Washington, and Wisconsin.

concerned in the making of the report to a fine of \$100, recoverable in any action by any member or creditor of the association. In Wisconsin, where the report is required to be made before April 1 of each year, failure to report before June 1 subjects the association to a fine of \$10 and if the delinquency continues beyond January 1 to the forfeiture of its corporate rights.

#### Voluntary Dissolution

A SOCIETY may be dissolved on written request of two-thirds of its members in California, Nevada, and Washington (nonstock), by a two-thirds vote in Oregon, and by a majority vote in Pennsylvania and Wisconsin. In New York a two-thirds vote of the stockholders is necessary for dissolution and a duplicate report of the proceedings at the dissolution meeting must be filed in the office in which the articles of incorporation were filed.

Dissolution is automatic in Nebraska whenever the individual membership falls below 20.

The law of Iowa provides that if no dividends are paid for 5 consecutive years, five members may petition for the dissolution of the society. If no interest is paid on stock for five years, dissolution may be granted on petition of a majority of the stockholders in Michigan, of five or more members in Minnesota and New York (stock), and of the holders of a majority of the shares in Montana.

#### Use of Word "Cooperative" in Name

NO ORGANIZATION may use the word "cooperative" in its name unless it complies with the provisions of the act in Kansas, Massachusetts, Nebraska, Oklahoma, Oregon, South Dakota, Washington (stock), and Wyoming. A 1929 amendment to the Oregon law provides that should the courts uphold the right to the use of the name "cooperative" by organizations formed prior to 1913, then such organizations must insert in the name of the association on letter-heads and otherwise, the phrase "does not comply with Oregon cooperative laws," in type at least two-thirds as large as that used in the word "cooperative." In 11 States<sup>21</sup> the prohibition against the use of "cooperative" is limited to organizations formed after the passage of the act. Violation of this provision subjects the violatine organization to injunction, which may be obtained by any member of a cooperative society in Illinois, Iowa, North Carolina, South Carolina, and Virginia; by any member or any cooperative association organized under the law in Kentucky, Missouri, North Dakota, and Washington (stock); and by any citizen in Kansas, Oklahoma, and Wyoming. Penalties are provided for violation in the laws of Kentucky (fine of not less than \$50 nor more than \$1,000), Massachusetts (fine of \$10 per day), Nebraska (fine of not to exceed \$100 per day), Oklahoma and Wyoming (\$100 for each offense), South Dakota (fine of not to exceed \$1,000), and Wisconsin (fine of not more than \$500 or six months' imprisonment or both).

The Montana law also forbids the use of the word "farmer" in the name of the association unless one-half of its members are "farmers by occupation."

<sup>21</sup> Illinois, Iowa, Kentucky, Minnesota, Missouri, Montana, New York (stock), North Carolina, North Dakota, South Carolina, and Virginia.

### Names of Associations Organized Under the Act

ONLY six laws (those of Kansas, Nebraska, New York (nonstock), Pennsylvania, Virginia, and Wisconsin) make any requirements as to the form of names of societies organized under the cooperative law. Of these, that of Kansas requires that the names of such associations must begin with "The" and end with "association," "Co.," "corporation," "exchange," "society," or "union." The Nebraska, Virginia, and Wisconsin acts require that associations formed under the act shall use the word "cooperative" in their name, and that of New York (nonstock) that they shall use the word "cooperative" and "association." That of Pennsylvania requires that the name shall end in "cooperative association"; it is unlawful to use either "society" or "company."

Use of the word "cooperative" in the name of the association is now optional under the Oregon law.

### Special Provisions

*Auditors.*—The Missouri law was amended in 1925 so as to require that the books of every cooperative association organized under the act be audited once a year by "competent auditors," who shall not be members of the association.

*Discrimination.*—A 1929 amendment to the Wisconsin act provides that any corporation which discriminates against a cooperative society doing business in that State shall have its charter or license to do business revoked.

*Contracts.*—Contracts whereby the member binds himself to deliver to the cooperative association all of his crops are common among the cooperative marketing associations. The Wisconsin statute, which is applicable to both consumers' and agricultural associations, contains the usual provision upholding the right of the association to make such a contract and its right to an injunction, a decree of specific performance, and liquidated damages. It also adds, however, a phrase which authorizes the adoption of the contract system by consumers' societies, i. e., it makes valid "contracts whereby members bind themselves to \* \* \* buy all of their goods" through the association or the facilities created by it, providing the term of the contract does not exceed five years.

*Organization by districts.*—The Oregon law, which also covers agricultural marketing associations, provides that if the area covered by the cooperative societies is too large for the convenient assembling of the members, the by-laws may provide for the formation of districts and holding of district meetings and elections. In such cases, districts may elect delegates to represent them at the annual and special meetings of the association. The vote of a delegate shall be considered as the vote of all the members of his district, on matters not covered by ballot submitted to individual members.

### Violations of Act

VIOLATIONS of provisions of the cooperative law are misdemeanors and subject to a fine of not less than \$100 nor more than \$1,000 in Montana, and by a fine of not more than \$500 or one year's imprisonment, or both, in New York (stock).

## Synopsis of Laws

## Alabama (Stock)

(Code, 1923, secs. 7047-7056)

*Scope and purpose.*—Any mutual aid, benefit, or industrial business.*Number who may organize.*—Five or more.*Filing articles of incorporation.*—With judge of probate in county in which principal place of business is located. Certified copy to State superintendent of insurance.*Filing fee.*—Same as for other corporations.*Management.*—Not less than five directors, elected annually.*Capital stock.*—Not less than \$5,000. Sum of \$5,000 must be in hand before business can be begun.

## Alabama (Nonstock)

(Code, 1923, secs. 7057-7061)

*Scope and purpose.*—Any mutual aid, benefit, or industrial business.*Number who may organize.*—Fifteen or more, a majority of whom must be residents of State.*Filing articles of incorporation.*—With judge of probate of the county in which principal place of business is located. Certified copy to State superintendent of insurance.*Filing fee.*—Same as for other corporations.*Management.*—Board of trustees of not less than seven nor more than nine members of corporation, elected annually.*Capital stock.*—Nonstock.*Voting by mail or by proxy.*—Specifically permitted in annual election of trustees. Proxy must be made 30 days before election.*Assets.*—Net assets at all times must equal \$1.50 for each \$100 of insurance at risk.

## Alaska

(Acts of 1917, ch. 26)

*Scope and purpose.*—Any lawful mercantile, manufacturing, agricultural, or other industrial pursuit.*Number who may organize.*—Not less than five persons. Majority must be residents of Alaska.*Filing articles of incorporation.*—To be filed with secretary of territory.*Management.*—Must have not less than five directors, elected annually. Officers shall be president, one or more vice presidents, a secretary, and a treasurer (last two may be combined).*Capital stock.*—Not limited.*Voting.*—Each member one vote.*Distribution of earnings.*—Not more than 8 per cent on paid-up capital stock; 10 per cent of profits to reserve; 5 per cent for educational fund; remainder in patronage dividends. Distribution must take place at least once a year.

## Arkansas

(Acts of 1921, No. 632)

*Scope and purpose.*—Any agricultural, dairy, mercantile, banking, mining, manufacturing, or mechanical business.*Definition of "cooperative" association.*—One which distributes its earnings by fixed return on capital and pro rata dividends on patronage.*Number who may organize.*—Twenty citizens of State.*Filing articles of incorporation.*—With secretary of state.*Filing fee.*—Same as for other corporations.*Term of charter.*—Not more than 50 years.*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.*Capital stock.*—Not limited. At least 20 per cent of capital stock must be paid in before business can be begun.*Stock ownership per member.*—Not more than 10 per cent of capital stock.

*Liability of individual member.*—Only in amount still unpaid on stock subscribed by him.

*Voting.*—Each member one vote.

*Purchase of stock of other associations.*—May purchase not to exceed 5 per cent of stock of another organization, using reserve fund for this purpose.

*Federation of cooperative societies.*—Specifically permitted.

*Annual reports.*—To commissioner of mines, manufactures and agriculture, in same form as is required of other corporations. Commissioner may also require list of members and amount of stock owned by each.

*Existing organizations.*—May come under act by majority vote (certified to commissioner of mines, manufactures and agriculture) and payment of required fees.

### California (Nonstock)

(Civil Code, 1906, secs. 653a-1, as amended by Acts of 1921, ch. 170)

*Scope and purpose.*—Any lawful business.

*Number who may organize.*—Five or more.

*Filing articles of incorporation.*—With clerk of county in which the principal place of business is located; copy to the secretary of state.

*Filing of amendments.*—With clerk of county.

*Term of charter.*—Not to exceed 50 years.

*Capital stock.*—Nonstock.

*Transfer of stock.*—May be transferred by board of directors.

*Voting.*—Each member one vote.

*Voting by mail or by proxy.*—According to by-laws, but secrecy of ballot must be secured.

*Distribution of earnings.*—According to by-laws.

*Dissolution.*—Upon written request of two-thirds of members.

### Colorado

(Compiled Laws, 1921, secs. 2413-2417)

*Scope and purpose.*—Any lawful business.

*Definition of "cooperative" association.*—One which distributes earnings wholly or in part on basis of patronage or labor performed.

*Number who may organize.*—Ten or more.

*Filing articles of incorporation.*—With secretary of state.

*Filing fee.*—Same as for other corporations.

*Stock ownership per member.*—As provided in by-laws.

*Distribution of earnings.*—According to by-laws.

*Existing organizations.*—May come under act by filing declaration of intention and paying fee of \$2.

### Connecticut

(General Statutes, 1918, secs. 3600-3609, as amended by Acts of 1919, ch. 96; Acts of 1921, ch. 115; Acts of 1923, ch. 110; and Acts of 1925, ch. 227)

*Scope and purpose.*—Trade or any lawful mercantile, mechanical, manufacturing, or agricultural business.

*Number who may organize.*—Seven or more inhabitants of State.

*Filing articles of incorporation.*—With secretary of state; certified copy to town clerk in town in which business is conducted.

*Management.*—President, treasurer, and board of not less than five directors, elected annually.

*Capital stock.*—Not to exceed \$200,000. Subject to same franchise tax as other corporations.

*Issuance of stock.*—When paid for in full.

*Voting.*—Each member one vote.

*Distribution of earnings.*—According to by-laws, provided that 10 per cent of net profits shall be appropriated for a contingent fund until this fund equals 20 per cent of capital stock.

*Annual reports.*—To secretary of state and office of town clerk on or before March 10; report must show property owned and debts and liabilities of every kind. Upon failure to report, board becomes jointly and severally liable for existing debts.

## Florida

(Compiled General Laws, 1927, secs. 6385-6390)

*Scope and purpose.*—Any lawful business.*Definition of "cooperative" association.*—One which distributes its earnings wholly or in part on basis of patronage or labor performed.*Number who may organize.*—Not less than 10.*Filing articles of incorporation.*—With secretary of state.*Filing fee.*—Same as for other corporations.*Voting.*—Optional with stockholders.*Distribution of earnings.*—According to by-laws.*Existing organizations.*—May come under act by filing declaration of intention with secretary of state and paying fee of \$2.

## Illinois

(Revised Statutes, 1917, ch. 32, secs. 103-128, 233-259, as amended by Acts of 1917, pp. 303, 304)

*Scope and purpose.*—General mercantile, manufacturing, or producing business.*Number who may organize.*—Five or more.*Filing articles of incorporation.*—With secretary of state.*Filing of amendments.*—With secretary of state and recorder of deeds in county in which principal place of business is located.*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.*Capital stock.*—Shares not less than \$5 nor more than \$100 in value.*Commission for sale of stock.*—No commission shall be charged or paid for selling stock.*Stock ownership per member.*—Limited to five shares or \$500 in value.*Transfer of stock.*—By-laws may provide that corporation shall have first right to purchase any stock for sale. Transfers to be recorded on books of society.*Liability of individual member.*—Only in amount still unpaid on shares subscribed by him.*Voting by mail and by proxy.*—May vote by mail if notified in writing of question to be voted on and if copy of motion is attached to vote. Written proxies permitted.*Distribution of earnings.*—Interest on stock and dividends on patronage. Distribution must take place at least once a year.*Purchase of stock of other associations.*—By a two-thirds vote of at least two-thirds of members, may so invest its surplus to extent of 25 per cent of its paid-in capital; the board of directors may invest surplus in amount not to exceed 10 per cent of the paid-in capital in the same manner. Not more than 10 per cent of other association's stock may be purchased.*Annual reports.*—To secretary of state, before March 1, showing name and address, total business transacted, amount of stock subscribed and paid in, number of members, operating expenses, indebtedness or liabilities, and profits and losses.*Existing organizations.*—May come under act by filing sworn statement that members have so voted by at least two-thirds majority.*Use of word "cooperative."*—No corporation formed after passage of act permitted to use the name "cooperative" unless complying with the provisions of the act. Any member of a cooperative society may obtain injunction against an organization violating this provision.

## Indiana

(Burns' Annotated Statutes, 1914, secs. 4359a-4359e)

*Scope and purpose.*—Any unlawful business.*Definition of "cooperative" association.*—One which distributes its earnings wholly or in part on the basis of patronage or of labor performed.*Number who may organize.*—Not less than 25.*Filing articles of incorporation.*—With secretary of state.*Filing fee.*—Same as for other corporations.*Stock ownership per member.*—May be limited by by-laws.

*Transfer of stock.*—May be regulated by by-laws.

*Distribution of earnings.*—According to by-laws.

*Existing organizations.*—May come under act by filing statement with secretary of state.

## Iowa

(Code, 1927, ch. 389, as amended by Acts of 1929, chs. 5, 13, 398)

*Scope and purpose.*—Agricultural, dairy, mercantile, mining, manufacturing, or mechanical business.

*Number who may organize.*—Five or more.

*Filing articles of incorporation and amendments.*—With secretary of state and the recorder of deeds of the county in which the principal place of business is located.

*Filing fee.*—Ten dollars to secretary of state for filing articles, and \$5 for amendments, provided that if capital stock is less than \$500 the fee shall be \$1 in each case. Recorder of deeds to receive the usual recording fee.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Not to exceed \$1,000 per member.

*Liability of individual member.*—Private property of member is exempt from execution for debts of the corporation.

*Voting.*—Each member one vote.

*Voting by mail.*—May vote by mail if member has been notified in writing of question to be voted on and copy of motion is attached to vote.

*Distribution of earnings.*—Subject to revision by association, not to exceed 10 per cent on stock; not less than 10 per cent of net profits to reserve until fund amounts to 50 per cent of paid-in capital; 5 per cent of net profits for an educational fund; dividends on patronage to members and on wages to employees. Such distribution must take place at least once a year. None of these funds above mentioned may be used in payment of promotion work, commissions, salaries, or expenses.

*Purchase of stock of other associations.*—By majority vote of majority of members, may invest reserves, not to exceed amount equal to 25 per cent of its capital.

*Annual reports.*—To secretary of state before March 1, on penalty of fine of \$10, and cancellation of charter if delayed beyond June 30. Report must show name and address of company, amount of business transacted, capital subscribed and paid in, number of stockholders, total operating expenses, liabilities, and profits and losses.

*Dissolution.*—If no dividends are paid for five consecutive years, five members may petition district court.

*Existing organizations.*—May come under act by filing sworn statement with secretary of state and county recorder that a majority of members have so voted.

*Use of word "cooperative."*—No corporation formed after passage of act shall use the name "cooperative" unless complying with this act. Any member of a cooperative society may obtain an injunction against any organization violating this provision.

## Kansas

(Revised Statutes, 1923, secs. 17-1501 to 17-1515)

*Scope and purpose.*—Any business or industrial pursuit.

*Definition of "cooperative" association.*—One which distributes its earnings by fixed return on capital and pro rata dividend on patronage.

*Number who may organize.*—Twenty or more citizens of Kansas.

*Filing articles of incorporation.*—With secretary of state.

*Filing fee.*—Same as for other corporations.

*Term of charter.*—Not more than 50 years.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by directors. All officers except secretary must be directors.

*Capital stock.*—Not limited. Twenty per cent must be paid in before business can be begun.

*Stock ownership per member.*—Not over 10 per cent of society's capital stock.

*Voting.*—Each member one vote.

*Distribution of earnings.*—According to by-laws.

*Purchasing stock of other associations.*—Not to exceed 5 per cent of stock of other organization.

*Annual reports.*—To secretary of state.

*Existing organizations.*—May come under act by filing sworn statement that majority of members have so voted, and by paying fees.

*Use of word "cooperative."*—Organizations may not use name "cooperative" unless complying with provisions of act. Organizations violating this provision may be enjoined by any citizen. Associations organized under act must begin name of society with "The" and end with "association," "Co.," "corporation," "exchange," "society," or "union."

## Kentucky

(Carroll's Kentucky Statutes (Baldwin's revision), 1930, secs. 883d-1 to 883d-9)

*Scope and purpose.*—Any agricultural, dairy, mercantile, mining, manufacturing, or mechanical business.

*Definition of "cooperative" association.*—One which distributes its earnings by a fixed return on capital and pro rata dividend on patronage.

*Number who may organize.*—Three or more residents of Kentucky.

*Filing articles of incorporation.*—With secretary of state.

*Filing fee.*—Same as for other corporations.

*Management.*—Not less than three directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Voting.*—Each member one vote.

*Distribution of earnings.*—After payment of the fixed rate on capital, by vote of two-thirds of members may set aside for reserve not less than 10 nor more than 25 per cent of net profits.

*Existing organizations.*—May come under act by filing sworn statement that majority of members have so voted, and by paying required fees.

*Use of word "cooperative."*—Not to be used in name of associations formed after passage of act unless complying with provisions of act. Any organization violating this provision may be enjoined by any cooperator or cooperative association, and be fined not less than \$50 nor more than \$1,000.

## Massachusetts

(General Laws, 1921, ch. 157)

*Scope and purpose.*—Any agricultural, dairy, or mercantile business.

*Number who may organize.*—Seven or more.

*Filing articles of incorporation.*—With secretary of state after approval by commissioner of corporations.

*Filing fee.*—One-twentieth of 1 per cent of authorized capital stock but not less than \$5.

*Capital stock.*—Not less than \$100 nor more than \$100,000.

*Stock ownership per member.*—Not to exceed one-tenth of total stock.

*Voting.*—Each member one vote.

*Distribution of earnings.*—Not to exceed 5 per cent on stock; not less than 10 per cent of net profits to reserve until fund amounts to at least 30 per cent of paid-up capital; not to exceed 5 per cent of remainder of net profits for an educational fund; patronage dividends to stockholders and one-half stockholders' rate to nonmembers which may be applied on purchase of share of stock. Directors may also vote to pay dividends on employees' wages at same rate as members' patronage dividend. Distribution must be made at least once a year.

*Investing reserve.*—May invest reserve in buildings of association or lend to members on real estate mortgages.

*Existing organizations.*—May come under act by filing sworn statement that majority of members have so voted, and by paying fee of \$1.

*Use of word "cooperative."*—Not to be used in name of association unless complying with provisions of act, upon penalty of fine of \$10 per day for time of use of word "cooperative."

## Michigan

(Compiled Laws, 1922, ch. 175, secs. 9053(78)-9053(96))

*Scope and purpose.*—Any lawful business.

*Definition of "cooperative" association.*—One which distributes its earnings wholly or in part on the basis of patronage or labor performed.

*Number who may organize.*—Not less than three.

*Filing articles of incorporation and amendments.*—Three copies with secretary of state, one of which goes to clerk of county in which principal place of business is located.

*Filing fee.*—Same as for other corporations.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Stock ownership per member.*—According to by-laws.

*Voting.*—According to by-laws.

*Voting by mail and by proxy.*—According to by-laws. Opportunity to vote by mail must be provided.

*Distribution of earnings.*—Reserve, capital stock, and patronage dividends as by-laws provide, but not to exceed 7 per cent on stock. May distribute remainder as purchase dividend. Distribution must be made at least once a year.

*Purchase of stock of other associations.*—By majority vote, may invest reserves, up to amount of 20 per cent of the capital.

*Dissolution.*—If no interest is paid on capital stock for five years, majority of stockholders may petition county circuit court in chancery.

*Existing organizations.*—May come under act by complying with provisions and filing sworn statement with secretary of state that majority of stockholders have so voted.

## Minnesota

(General Statutes, 1923, ch. 58, secs. 7822-7847)

*Scope and purpose.*—Any lawful agricultural, dairy, marketing, warehousing, commission, contracting, building, mining, telephone, manufacturing, mechanical, mercantile, or electrical, heat, light, or power business.

*Number who may organize.*—Five or more.

*Filing articles of incorporation.*—With secretary of state; certified copy to register of deeds of county in which the principal place of business is located, after approval by State attorney general.

*Filing fee.*—To secretary of state, \$5 for articles of incorporation or amendments.

*Term of charter.*—Not to exceed 30 years.

*Management.*—Not less than five directors. Officers to be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Capital stock.*—Not to exceed \$100,000. Twenty per cent must be paid in before business can be begun.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Not over \$1,000 in case of individuals; not over 10 per cent of amount of paid-in capital and permanent surplus in case of association.

*Transfer of stock.*—Only with approval of governing board.

*Voting.*—Each member one vote.

*Voting by mail and by proxy.*—Vote by mail permitted if notified in writing of exact text of question to be voted on; vote must be signed and certified by voting stockholder. No proxies.

*Distribution of earnings.*—"Reasonable and adequate" depreciation reserves. Not to exceed 8 per cent annually on stock (payable only when net income is sufficient; interest is not cumulative); violation punishable by cancellation of charter. Earnings of first and second years may be set aside for reserve fund, and 10 per cent of annual net earnings shall be put in reserve until latter equals 50 per cent of the paid-up capital. Stockholders may increase reserve to 100 per cent of capital stock. Five per cent of net profits may be used to teach cooperation. Remaining profits to be disbursed in proportion to patronage.

*Purchase of stock of other associations.*—Permitted, but not to exceed 10 per cent of other organization's capital and permanent surplus.

*Annual reports.*—To commissioner of agriculture, within 60 days after close of its fiscal year, stating authorized and paid-in capital, names of officers and

directors, resources, and liabilities and such other information as may be required by commissioner.

*Dissolution.*—If no interest is paid on capital for five consecutive years, five or more members may apply to district court of county.

*Existing organizations.*—May come under act by amending articles of incorporation to conform to law, filing papers as above, and paying fee.

*Use of word "cooperative."*—No corporation formed after passage of act permitted to use name "cooperative" unless complying with provisions of act. Violation is misdemeanor.

### Missouri

(Revised Statutes, 1910, 10247-10262, as amended by Acts of 1919, p. 270; Acts of 1925, p. 145; Acts of 1929, p. 334)

*Scope and purpose.*—Any agricultural or mercantile business.

*Number who may organize.*—Not less than 12.

*Filing articles of incorporation and amendments.*—With recorder of deeds of county or city of place of business. Certified copy to office of secretary of state.

*Filing fee.*—Fifty dollars for first \$50,000 and \$5 for each additional \$10,000 capital stock. Amendments, \$1.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by the directors. President and vice presidents must be directors.

*Capital stock.*—Same limit as other corporations.

*Stock ownership per member.*—Not more than 10 per cent of aggregate par value.

*Liability of individual member.*—Private property of stockholders is exempt from execution for debts of association.

*Voting.*—In election of directors, vote by shares; on other matters, each member one vote.

*Voting by mail or by proxy.*—According to by-laws.

*Distribution of earnings.*—Not less than 10 per cent of net earnings to reserve until fund equals 50 per cent of paid-in capital; not more than 10 per cent on stock; remainder in patronage dividends. Distribution must take place at least once a year.

*Existing organizations.*—May come under act by filing with secretary of state a sworn statement that majority of stockholders have so voted.

*Use of word "cooperative."*—Not to be used by organizations formed after passage of act unless complying with its provisions. Any violating organization may be enjoined by association organized under law.

### Montana

(Revised Codes, 1921, ch. 25, secs. 6375-6396)

*Scope and purpose.*—Trade or any branch of industry, purchase or distribution of commodities for consumption, borrowing or lending money among members for industrial purposes.

*Number who may organize.*—Not less than three nor more than seven.

*Filing articles of incorporation.*—With secretary of state.

*Filing fee.*—Five dollars.

*Term of charter.*—Not to exceed 40 years.

*Management.*—Not less than three directors. Officers shall be president, vice president, secretary, and treasurer.

*Capital stock.*—Shares not less than \$10 nor more than \$5,000 each, payable in installments.

*Stock ownership per member.*—One share each.

*Liability of individual member.*—Only in amount still unpaid on stock subscribed by him. Share capital of any member up to \$500 exempt from attachment or sale under execution.

*Voting.*—Each member one vote.

*Voting by mail.*—May vote by mail if notified in writing of question to be voted on and copy of motion is attached to vote.

*Distribution of earnings.*—Eight per cent on stock; 5 per cent to reserve until fund equals 30 per cent of paid-in capital; 5 per cent for fund to teach cooperation; and remainder for dividends on purchases and bonuses to employees. Patronage dividends to nonmembers at one-half the members' rate; may be credited on purchase of share of stock. Dividends are payable annually.

*Consolidations.*—Consolidations of cooperative associations permitted on written request of majority of stockholders of each corporation.

*Dissolution.*—If no interest is paid on capital for five consecutive years, holders of majority of stock may petition for dissolution.

*Existing organizations.*—May come under act by filing with secretary of state a sworn statement that majority of members have so voted.

*Use of word "cooperative" and "farmer."*—No corporation formed after passage of act permitted to use name "cooperative" unless complying with provisions of act, nor may it use "farmer" unless one-half of its members are farmers by occupation.

*Violations of act.*—Violation is misdemeanor and punishable by fine of not less than \$100 nor more than \$1,000.

## Nebraska

(Compiled Statutes, 1922, secs. 642-648, as amended by Acts of 1925, ch. 79)

*Scope and purpose.*—Any lawful business.

*Definition of "cooperative" association.*—One which distributes its earnings wholly or in part on the basis of patronage or of labor performed.

*Number who may organize.*—Not less than 20 persons nor less than 5 companies.

*Filing articles of incorporation.*—With secretary of state.

*Filing fee.*—Same as for other corporations.

*Stock ownership per member.*—Not more than 5 per cent in case of individuals nor more than 20 per cent in case of companies.

*Transfer of stock.*—According to by-laws.

*Distribution of earnings.*—Not to exceed 8 per cent on stock; 5 per cent to reserve until such fund equals 20 per cent of paid-in capital; remainder as dividends on patronage or on labor performed.

*Dissolution.*—Automatic whenever individual membership falls below 20.

*Existing organizations.*—May come under act by filing sworn statement with secretary of state.

*Use of word "cooperative."*—Forbidden unless incorporated under act, and violation punishable by fine of not to exceed \$100 per day for each day name is used. Associations formed under act must incorporate word "cooperative" in name.

## Nevada (Nonstock)

(Revised Laws of 1912, secs. 1249-1260)

*Scope and purpose.*—Any lawful business.

*Number who may organize.*—Five or more.

*Filing articles of incorporation.*—With secretary of state and clerk of county in which principal place of business is located.

*Management.*—According to by-laws.

*Capital stock.*—Nonstock.

*Voting.*—Each member one vote.

*Voting by mail.*—May be provided for in by-laws.

*Distribution of earnings.*—According to by-laws.

*Dissolution.*—By written request of two-thirds of members.

## New Jersey

(Compiled Statutes, 1910, pp. 1580-1584)

*Scope and purpose.*—Any lawful mechanical, mining, manufacturing, or trading business.

*Number who may organize.*—Not less than seven residents of State.

*Filing articles of incorporation.*—To be approved by chief of bureau of statistics of labor and industries. Filed with clerk of county in which principal place of business is located, and with bureau of statistics of labor and industries.

*Management.*—Not less than five directors, elected annually. Officers shall be president and treasurer (both of whom are directors), and secretary.

*Capital stock.*—Shares not to exceed \$50 each.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—To be regulated by directors, unless otherwise provided in by-laws.

*Transfer of stock.*—According to by-laws.

*Liability of individual member.*—Only in amount still unpaid on stock subscribed by him.

*Voting.*—Each member one vote, cast in person.

*Distribution of earnings.*—According to by-laws, but must set aside 5 per cent for reserve until fund amounts to 30 per cent of capital stock. Distribution must take place at least once a year.

*Purchase of stock of other associations.*—May so invest amount not exceeding one-third of paid-up capital.

*Annual reports.*—To clerk of county and chief of bureau of statistics of labor and industries. Reports must show amount of stock, number of shares issued and par value thereof, number of stockholders and number of shares held by each, amount and character of society's property and of its debts and liabilities. Failure to comply with this provision or the making of false statements of condition of society subjects each officer or director concerned to fine of \$100, recoverable in action by any member or creditor.

*Dissolution.*—Same as any other corporation.

### New York (Stock)

(Acts of 1913, ch. 454, as amended by Acts of 1920, chs. 104 and 591; Acts of 1921, ch. 359; Acts of 1926, ch. 231, art. 7)

*Scope and purpose.*—General producing, manufacturing, warehousing business, processing and cleansing business, in articles of common use, including farm products, food supplies, farm machinery and supplies, and articles of domestic and personal use, buying, selling, or leasing homes or farms for members, or building or conducting housing or eating places.

*Definition of "cooperative" association.*—One conducted "primarily for the mutual help and benefit of its shareholders, employees, and patrons without profit," which pays not to exceed 6 per cent on capital and distributes remainder on basis of patronage or labor performed.

*Number who may organize.*—Three or more.

*Filing articles of incorporation and amendments.*—Same as provided for other corporations.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by directors. President and vice presidents must be directors. Secretary and treasurer need not be stockholders.

*Capital stock.*—Shares of \$5 each.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Not over \$5,000.

*Transfer of stock.*—By written consent of association.

*Voting.*—Each member one vote.

*Voting by mail.*—Permitted if member has been notified in writing of question to be voted on and if a copy of motion is attached to vote.

*Distribution of earnings.*—Not to exceed 6 per cent on stock; and not less than 10 per cent of net earnings for reserve until fund equals 30 per cent of paid-up capital; may set aside 5 per cent of net earnings for educational fund. Remainder to be distributed in patronage dividends to members and as wage bonuses to employees. Nonmembers' dividends at one-half members' rates. Distribution must be made at least once a year.

*Purchase of stock of other associations.*—By majority vote may invest amount not exceeding 25 per cent of its capital.

*Annual reports.*—To department of farms and markets, within three months after close of association's fiscal year, showing name and address, amount of business transacted, number of stockholders, amount of stock subscribed and amount paid in, operating expenses, amount of liabilities, and profits and losses.

*Dissolution.*—If no interest is paid on capital for five consecutive years, five or more members may petition supreme court of county.

*Existing organizations.*—May come under act by filing sworn statement that majority of members have so voted.

*Use of word "cooperative."*—Not to be used in name of any corporation formed after passage of act unless complying with provisions of act.

*Violations of act.*—Punishable by fine of not more than \$500 or one year's imprisonment, or both.

### New York (Nonstock)

(Acts of 1920, ch. 166, art. 21, as amended by Acts of 1926, ch. 231, art. 5)

*Scope and purpose.*—Purchase, manufacture, preservation, drying, canning, storing, handling, and utilization of agricultural, dairy, horticultural, or other

food products, family or other household supplies to be consumed by the families or guests of the members, or any other household operation, performance of services connected with purchase or hiring of supplies, machinery, or equipment, or educational work in home economics or mutual help in educational work.

*Number who may organize.*—Five or more, none of whom is engaged in dealing or is directly or indirectly interested in dealing in any agricultural, horticultural, or dairy products, or other family supplies except those produced by him.

*Filing articles of incorporation and amendments.*—Same as for other corporations.

*Management.*—According to by-laws. Directors to hold office for three years, one-third to be elected each year. Officers shall be president, vice president, secretary, and treasurer, appointed annually by the directors.

*Capital stock.*—Nonstock.

*Liability of individual member.*—As stated in certificate of incorporation. In general, member is liable for his per capita share of all contracts, debts, and engagements, plus an equal amount in case any other member's liability proves uncollectible, plus any further amounts prescribed in the certificate of incorporation of the association.

*Voting.*—Each member one vote.

*Voting by mail and by proxy.*—Voting by registered mail permitted on specific questions. No proxies.

*Annual reports.*—Copy of report of annual audit to be filed with department of farms and markets.

*Dissolution.*—Upon two-thirds vote of stockholders and filing report of proceedings, in duplicate, in office where articles of incorporation were filed.

*Use of word "cooperative."*—Name of association must contain words "cooperative" and "association."

## North Carolina

(Consolidated Statutes, 1919, secs. 5242-5259)

*Scope and purpose.*—Any agricultural, dairy, mercantile, mining, manufacturing, or mechanical business.

*Number who may organize.*—Not less than five.

*Filing articles of incorporation.*—With secretary of state and clerk of superior court in county in which principal place of business is located.

*Filing fee.*—Ten dollars and fee allowed by law to secretary of state, \$2 when capital stock is less than \$1,000. Fifty cents to clerk of court. For filing amendments, \$5, or \$2 if capital stock is less than \$1,000.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Capital stock.*—According to by-laws.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Nor more than 20 per cent of paid-up capital stock.

*Transfer of stock.*—According to by-laws.

*Voting.*—Each member one vote.

*Voting by mail and by proxy.*—May vote by mail if notified in writing of question to be voted on and if copy of motion is attached to vote. Proxies must be written and no member may vote more than one proxy.

*Distribution of earnings.*—Subject to revision by association, not to exceed 6 per cent on stock; not less than 10 per cent of net profits to reserve until fund amounts to 30 per cent of paid-up capital; not less than 2 per cent of net profits for an educational fund; remainder in patronage dividends to members and nonmembers at one-half members' rate, and bonus to employees on wages. Distribution must take place at least once a year.

*Annual reports.*—To secretary of state and division of markets and rural organization on or before March 1. Report must show name and address of association, amount of business transacted, amount of stock subscribed and paid in, number of shareholders, total expenses of operation, amount of liabilities, and profits and losses.

*Existing organizations.*—May come under act by filing sworn statement with secretary of state that majority of stockholders have so voted.

*Use of word "cooperative."*—Not to be used in name of any organization hereafter formed unless complying with provisions of act. Any organization violating this provision may be enjoined by any member of a cooperative association.

## North Dakota

(Acts of 1921, ch. 43)

*Scope and purpose.*—Any agricultural, grain elevator, dairy, mercantile, mining, manufacturing, mechanical, or telephone business.

*Definition of "cooperative" association.*—One which distributes its earnings wholly or in part on the basis of patronage or of labor performed.

*Number who may organize.*—Not less than 15 persons.

*Filing articles of incorporation.*—With secretary of state.

*Filing fees.*—Ten dollars; \$3 for amendments.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Issuance of stock.*—When paid for in full.

*Voting.*—Each member one vote.

*Voting by mail.*—Permitted if member is notified in writing of question to be voted on and if a copy of motion is attached to vote.

*Distribution of earnings.*—Subject to revision by meeting of stockholders, not to exceed 8 per cent on stock; may set aside not more than 10 per cent for reserve until fund equals paid-in capital; may set aside not more than 5 per cent for an educational fund; remainder distributed on wages of employees and on patronage. Distribution must take place at least once a year.

*Purchase of stock of other associations.*—By majority vote may invest its reserve fund, up to amount not to exceed 25 per cent of its capital stock.

*Annual reports.*—To secretary of state within 30 days after close of association's fiscal year, showing name and address, nature of business, amount of business, names, addresses, and compensation of officers and directors, and date of expiration of term of office, number of stockholders, amount of capital authorized, subscribed, and paid in and amount sold during year, expenses of operation, profits and losses, amount of dividends paid, and detailed statement of assets and liabilities.

*Existing organizations.*—May come under act by filing sworn statement that majority of members have so voted, and by amending articles of incorporation to conform with provisions of act.

*Use of word "cooperative."*—Not to be used by any organization formed after passage of act unless complying with act. Violating organizations may be enjoined by any stockholder or any cooperative organization.

## Ohio

(General Code, 1910, secs. 10185, 10186)

*Scope and purpose.*—Trading associations dealing in articles of merchandise.

*Distribution of earnings.*—According to by-laws. May be distributed in proportion to purchases.

## Oklahoma

(Compiled Statutes, 1921, secs. 5637-5652)

*Scope and purpose.*—Any agricultural, dairy, livestock, irrigation, horticultural, mercantile, manufacturing, mechanical, or industrial business.

*Number who may organize.*—Ten or more.

*Filing articles of incorporation and amendments.*—With secretary of state.

*Management.*—Not less than five directors, elected annually.

*Capital stock.*—Not limited, but 20 per cent must be paid in before business may be begun.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Not more than 5 per cent of stock outstanding or more than \$500.

*Liability of individual member.*—Only in amount still unpaid on capital stock subscribed by him. Directors are liable for any debts agreed to by them, in excess of society's subscribed capital and surplus.

*Voting.*—Each member one vote.

*Voting by mail or by proxy.*—As provided in by-laws, but if not specifically covered in by-laws both forms of voting are prohibited.

*Distribution of earnings.*—Subject to revision by stockholders, not less than 10 per cent to reserve until fund amounts to 50 per cent of paid-in capital and not to exceed 8 per cent on stock; may set aside 5 per cent for educational fund; remainder in patronage rebates. If directors distribute dividends when the association is insolvent or would be made insolvent by such distribution, they shall be held liable for all debts of the association then existing or thereafter incurred during their incumbency; written objection to such dividend filed with secretary and the county clerk absolves any director from this liability.

*Use of word "cooperative."*—Not to be used unless organized under this act, on penalty of \$100 fine for each offense. Violating organization may be enjoined by any citizen.

### Oregon (Stock or Nonstock)

(Olson's Oregon Laws, 1920, secs. 6954-6981, as amended by Acts of 1929, ch. 412)

*Scope and purpose.*—Any lawful business.

*Number who may organize.*—Not less than five.

*Filing articles of incorporation and amendments.*—With corporation commissioner and clerk of county.

*Filing fee.*—Ten dollars to corporation commissioner, 20 cents per 100 words to clerk of county. For amendments, \$5 to corporation commissioner and 20 cents per 100 words to clerk of county.

*Organization expenses.*—Not to exceed 20 per cent of paid-in capital.

*Annual license fee.*—Ranges from \$5 for associations whose authorized stock does not exceed \$5,000 to \$100 for associations whose stock exceeds \$2,000,000. Five dollars for nonstock associations.

*Management.*—Not less than five directors, elected for not more than two years. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined). If deemed advisable, office of secretary and treasurer "may be filled by engaging any person or persons" considered capable of rendering the most efficient service.

*Capital stock.*—Not limited in amount. Association may issue both common and preferred stock. Sixty per cent of common stock must be subscribed and one-fourth paid in before business may be begun.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—According to by-laws.

*Liability of individual member.*—Only in amount still unpaid on capital stock subscribed by him.

*Nonstock associations.*—May also incorporate under this act.

*Voting.*—According to by-laws, but may provide that in an emergency threatening the life of the association, voting may be in proportion to the amount of business done through the association.

*Voting by mail and by proxy.*—Vote by mail permitted if notified of question to be voted on and if vote is accompanied by signed statement of voter. No proxies, but if association covers large area various districts may be represented by delegates.

*Distribution of earnings.*—Must make provision for reserve, then interest on stock not to exceed 8 per cent; remainder in patronage dividends. Dividends to nonmembers may be applied to purchase of stock.

*Purchase of stock of other associations.*—May invest not to exceed 20 per cent of paid-in common stock and reserve fund.

*Annual reports.*—To corporation commissioner on or before August 1, showing name and address, capital stock authorized, subscribed, unsubscribed, issued, and paid in (same information for membership fees for nonstock associations), and number of stockholders.

*Federation of cooperative associations.*—Specifically permitted.

*Dissolution.*—By vote of two-thirds of members. Dissolution fee of \$2 to corporation commissioner.

*Existing organizations.*—May come under act by filing sworn statement with corporation commissioner that majority of members have so voted and by paying fees.

*Use of word "cooperative."*—Not to be used unless complying with provisions of act. Use optional with associations organized under act.

## Pennsylvania

(Statutes, 1920, secs. 5520-5542, as amended by Acts of 1923, No. 404, and Acts of 1929, Nos. 211, 215)

*Scope and purpose.*—Any agricultural, horticultural, mining, quarrying, building, mechanical, manufacturing, cultivating, raising, trading or dealing in all kinds of goods, wares, merchandise, chattels, grains, vegetables, roots, fruits, or other produce or animals for sale, food or other purposes, or for the purpose of holding, leasing, or improving lands, tenements, or buildings.

*Number who may organize.*—Five or more.

*Filing articles of incorporation and amendments.*—With secretary of state and recorder of deeds of county in which principal place of business is located.

*Filing fee.*—Ten cents for each 100 words to secretary of state and recorder of deeds.

*Management.*—Six, 8, or 10 directors and 2 auditors. Officers shall be president, secretary (directors ex officio), and treasurer. One-half of directors and one auditor to be elected every six months, for one year. Bonds to be required of every person handling money.

*Capital stock.*—Shares of \$5 to \$25 each. Stock may be of two classes. "Permanent stock," transferable, subject to by-laws, but not withdrawable, each member to purchase at least one share; and "ordinary stock," transferable and withdrawable in accordance with by-laws.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Limited to \$1,000, but may be increased by vote of members.

*Liability of individual member.*—For wages of employees, to full amount owed; for other debts, only to amount still unpaid on stock subscribed. Stock of householders with family exempt up to amount of \$25, for member's individual debts.

*Voting.*—Each member one vote.

*Voting by proxy.*—No proxies.

*Distribution of earnings.*—Depreciation at rate of 10 per cent on fixtures, etc., 2½ per cent on buildings; interest of 5 per cent on ordinary stock and 6 per cent on permanent stock; 5 per cent for reserve; not less than 2½ per cent for propaganda and social fund; dividends to members on patronage and to employees on wages, and patronage dividends to nonmembers at half members' rate. Dividends to be applied on stock up to limit of stock allowed.

*Purchase of stock of other associations.*—By majority vote of members. Amount not limited.

*Reports.*—Monthly reports to be posted in principal office of association.

*Dissolution.*—By majority vote of members.

*Existing organizations.*—May come under act by a majority vote.

*Name of association.*—Last two words of name shall be "cooperative association." It shall be unlawful to use either "society" or "company."

## South Carolina

(Civil Code, 1922, secs. 4331-4343)

*Scope and purpose.*—Any agricultural, dairy, mercantile, mining, mechanical, or manufacturing business.

*Number who may organize.*—Five or more.

*Filing articles of incorporation.*—With secretary of state.

*Management.*—Not less than five nor more than nine directors. Officers shall be president, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Capital stock.*—Not less than \$100. Shares not less than \$5 each.

*Stock ownership per member.*—Not over one-fifth of total stock.

*Voting.*—Each member one vote.

*Distribution of earnings.*—Subject to revision by association, not to exceed 6 per cent on stock; not less than 10 per cent to reserve until fund amounts to 30 per cent of the paid-up capital stock; 5 per cent to educational fund; remainder in dividends—one-half to shareholders on patronage and to employees on wages, and the other half to nonmembers and may, in the case of nonmembers, be credited on purchase of stock.

*Purchase of stock of other associations.*—By a majority vote, may so invest all or part of reserve, or not to exceed 25 per cent of capital.

*Annual reports.*—To commissioner of agriculture, commerce and industries on or before January 1. Report must show name and address, amount of business transacted, stock subscribed and paid in, number and names of stockholders, total operating expenses, liabilities, and profits and losses.

*Existing organizations.*—May come under act by filing sworn statement that majority of stockholders have so voted.

*Use of word "cooperative."*—Not to be used as part of name by any organization formed after passage of act unless complying with provisions of act. Violating organization may be enjoined by any stockholder in a cooperative society.

### South Dakota

(Revised Code, 1919, secs. 8839-8853, as amended by Acts of 1919, ch. 140; Acts of 1921, ch. 153; Acts of 1923, chs. 127 and 131; Acts of 1929, ch. 89)

*Scope and purpose.*—Any agricultural, dairy, mercantile, mining, manufacturing, or mechanical business.

*Number who may organize.*—Not less than five.

*Filing amendments.*—With secretary of state.

*Management.*—Not less than five directors, elected for not more than three years. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by and from directors.

*Stock ownership per member.*—Not more than \$1,000 in associations with capital of \$100,000 or less, nor more than 1 per cent in associations with capital of more than \$100,000.

*Voting.*—Each member one vote, except that in associations with capital of more than \$500,000 vote shall be by shares.

*Voting by mail.*—Permitted if previously notified in writing of question to be voted on and if copy of the question is attached to vote.

*Distribution of earnings.*—Not to exceed 10 per cent on stock; not less than 25 per cent to reserve until fund amounts to 50 per cent of paid-up capital; not less than 1 nor more than 5 per cent for educational fund; remainder as patronage dividends.

*Purchase of stock of other associations.*—By a majority vote, may so invest reserve and not to exceed 25 per cent of capital.

*Existing organizations.*—May come under act by filing sworn statement with secretary of state that majority of members have so voted.

*Use of word "cooperative."*—Not permitted unless complying with provisions of act, on penalty of fine of not to exceed \$1,000.

### Tennessee

(Thompson's Shannon's Code, 1919, secs. 2186-2188)

*Scope and purpose.*—Buying or selling agricultural products and dealing in merchandise.

*Number who may organize.*—Seven or more.

### Vermont

(General Laws, 1917, title 25, sec. 4897, as amended by Acts of 1929, No. 81)

*Scope and purpose.*—Any business or object not repugnant to laws of State.

*Number who may organize.*—Three or more adults.

*Filing articles of incorporation and amendments.*—With secretary of state.

*Management.*—Not less than three directors, elected annually. Officers are president and treasurer.

*Capital stock.*—Not less than \$500. Shares not more than \$100 each.

*Stock ownership per member.*—Not more than 10 per cent of capital.

*Voting.*—Each member one vote.

*Voting by proxy.*—According to by-laws.

*Distribution of earnings.*—Not to exceed 6 per cent on stock; not less than 10 per cent to reserve until fund amounts to 50 per cent of paid-in capital; all or part of remainder distributed as patronage dividends. Distribution must take place at least once a year.

## Virginia

(Annotated Code, 1919, sec. 3855, as amended by Acts of 1928, ch. 166)

*Scope and purpose.*—Any agricultural, dairy, mercantile, merchandise, brokerage, manufacturing, or mechanical business.

*Number who may organize.*—Not less than five.

*Stock ownership per member.*—Not to exceed \$1,000 in common stock.

*Voting.*—Each member one vote. Association may specify that stock held by persons not members of certain nonstock corporations shall have no voting power.

*Distribution of earnings.*—Subject to revision by association, not to exceed 8 per cent on stock; not less than 10 per cent of net profits to reserve until fund amounts to 30 per cent of paid-up capital; 5 per cent for educational fund; patronage dividends to shareholders and to nonshareholders at one-half members' rate and bonus to employees on wages.

*Purchase of stock of other associations.*—By majority vote, may invest reserve or capital in amount not to exceed 25 per cent of capital.

*Existing organizations.*—May come under act by amending articles of incorporation to conform to provisions of act.

*Use of word "cooperative."*—Not to be used as part of name by any organization formed after passage of act unless complying with provisions of act. Any violating organization may be enjoined by any stockholder of a cooperative association. Word "cooperative" must be used by associations formed under act.

## Washington (Stock)

(Acts of 1913, ch. 19, as amended by Acts of 1925, ch. 99)

*Scope and purpose.*—Any "lawful business," defined to include agricultural, dairy, mercantile, mining, manufacturing, or mechanical business.

*Number who may organize.*—Not less than five.

*Filing articles of incorporation and amendments.*—With secretary of state, and county auditor of county in which principal place of business is located.

*Filing fee.*—Twenty-five dollars to secretary of state and 15 cents per 100 words to auditor plus 15 cents for filing. For amendments, \$10 to secretary of state, and 15 cents per 100 words to auditor plus 15 cents for filing.

*Term of charter.*—Not to exceed 50 years.

*Management.*—Not less than three directors. Officers shall be president, one or more vice presidents, secretary, and treasurer, elected annually by and from directors.

*Capital stock.*—Not limited in amount. One-fourth of stock must be paid in before business may be begun.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Not more than one-fifth of total stock.

*Liability of individual member.*—Only in amount still unpaid on stock subscribed by him.

*Voting.*—Each member one vote.

*Voting by mail.*—Permitted if notified in writing of exact question to be voted on and if copy of motion is attached to vote.

*Distribution of earnings.*—Not to exceed 8 per cent on stock; not less than 10 nor more than 25 per cent of remainder to reserve fund; dividends on patronage to members and on wages to employees and on patronage to nonmembers at one-half members' rate. Distribution must take place at least once a year. Dividends uncalled for in six months revert to association.

*Purchase of stock of other associations.*—By a majority vote, may so invest all or part of reserve.

*Annual reports.*—To be made to secretary of state before March 1, showing name and address, total amount of business done, amount of stock subscribed and paid in, number of stockholders, total operating expenses, amount of liabilities, and profits and losses.

*Existing organizations.*—May come under act by filing sworn statement with secretary of state that majority of members have so voted.

*Use of word "cooperative."*—Not to be used as part of name by any corporation unless complying with provisions of act. Any violating organization may be enjoined by any association or stockholder in a cooperative association

## Washington (Nonstock)

(Remington and Ballinger's Code, secs. 3752-3764)

*Scope and purpose.*—Any lawful purpose except carrying on of a business, trade, avocation, or profession for profit.

*Number who may organize.*—Not less than five.

*Filing articles of incorporation.*—With secretary of state and county auditor of county in which principal place of business is located.

*Filing fee.*—Same as for corporations.

*Term of charter.*—Not to exceed 50 years.

*Management.*—According to by-laws.

*Capital stock.*—Nonstock.

*Voting.*—All members have equal power.

*Dissolution.*—Upon written request of two-thirds of members.

*Existing organizations.*—May come under act by filing statement with secretary of state that majority of members have so voted.

## Wisconsin (Stock or Nonstock)

(Wisconsin Statutes, 1923, secs. 185.01-185.23, as amended by Acts of 1925, ch. 181; and Acts of 1928, 1929, ch. 527)

*Scope and purpose.*—Any agricultural, dairy, mercantile, mining, manufacturing, or mechanical business.

*Definition of "cooperative association."*—One which allows only one vote per member, which pays a fixed return on capital, and which distributes its net earnings on basis of patronage.

*Number who may organize.*—Not less than five.

*Filing articles of incorporation and amendments.*—With secretary of state and register of deeds of the county in which the principal place of business is located.

*Filing fee.*—For capital stock associations, \$1 for those with capital of less than \$500; in other cases \$10, up to stock of \$25,000, plus \$1 for each \$1,000 of authorized capital over \$25,000; for amendments \$1 for those with capital of less than \$500, \$5 for other organizations. For nonstock associations \$5 for articles and \$1 for amendments.

*Organization expense.*—Not to exceed 5 per cent of paid-in capital or membership fees.

*Management.*—Not less than five directors. Officers shall be president, one or more vice presidents, secretary, and treasurer (last two may be combined), elected annually by directors. All except secretary and treasurer must be directors.

*Issuance of stock.*—When paid for in full.

*Voting.*—Each member one vote.

*Voting by mail and by proxy.*—Vote by mail permitted if member received notice in writing of motion to be voted on and if copy of question accompanies vote. No proxies.

*Distribution of earnings.*—In discretion of directors may make provision for reserve; reasonable amount for depreciation (this and reserve may be considered as part of expenses); not more than 8 per cent on stock (may not be cumulative); not more than 5 per cent for educational fund; bonus on wages not to exceed rate of patronage dividend; all or part of remainder for "general welfare of the members of the association." Any of the net earnings not used as above must be distributed as dividends on patronage; that of nonmembers may be at one-half members' rate and may be applied on purchase of a share of stock. Association may decide to return to patrons the entire net proceeds of the year's business. Distribution must take place at least once a year.

*Purchase of stock of other associations.*—By majority vote, may so invest not to exceed 25 per cent of paid-in common stock and reserve.

*Contracts.*—Contracts whereby members bind themselves to sell to or to buy all of their goods through association or any facilities created by it are valid, providing term of contract does not exceed five years. Contracts may be made self-renewing for further 5-year periods. Contracts may also provide for decree of specific performance and liquidated damages up to 30 per cent of value of products involved.

*Discrimination against cooperative associations.*—Any corporation which discriminates against a cooperative society doing business in State shall have its charter or license revoked.

*Annual reports.*—To secretary of state, on or before April 1, showing name and address, amount of business, capital stock subscribed and paid in, rate of interest on stock, number of stockholders, total operating expenses, amount of liabilities, and profits and losses. Failure to report before June 1 subjects the association to a fine of \$10 and, if continued beyond January 1, to forfeiture of corporate rights.

*Dissolution.*—By majority vote of stockholders.

*Existing organizations.*—May come under act by filing sworn statement that majority of stockholders have so voted.

*Use of word "cooperative."*—Not to be used as part of name by any corporation organized after passage of act unless complying with provisions of act, on penalty of fine of not more than \$500 or six months' imprisonment, or both. Word "cooperative" must be used by associations under act.

## Wyoming

(Compiled Statutes, 1920, secs. 5119-5134)

*Scope and purpose.*—Agricultural, dairy, livestock, irrigation, horticultural, mercantile, manufacturing, mechanical, or industrial business.

*Number who may organize.*—Five or more.

*Filing articles of incorporation and amendments.*—With secretary of state and clerk of county in which business is carried on.

*Filing fee.*—Same as for other corporations.

*Term of charter.*—Not to exceed 50 years.

*Management.*—Not less than three directors, elected annually. Officers must include president and secretary.

*Capital stock.*—Not limited. Twenty per cent of stock subscribed must be paid in before business may be begun.

*Issuance of stock.*—When paid for in full.

*Stock ownership per member.*—Not more than \$1,000 nor more than one-third of outstanding stock.

*Liability of individual member.*—Only in amount still unpaid on stock subscribed by him. If indebtedness of association at any time exceeds capital stock, directors assenting thereto are liable for such excess.

*Voting.*—Each member one vote.

*Voting by mail or by proxy.*—Not permitted unless provided for in by-laws.

*Distribution of earnings.*—Subject to revision by members, not to exceed 8 per cent on capital stock; not less than 10 per cent of net earnings to reserve until fund amounts to 30 per cent of paid-up capital stock; remainder in patronage dividends to members and may be provided by by-laws to nonmembers. If directors distribute dividends when the association is insolvent or would be made insolvent by such distribution, they shall be held liable for all debts of the association then existing or thereafter incurred during their incumbency; written objection to such dividend filed with the secretary of state and the county clerk absolve any director from this liability.

*Annual reports.*—Statement to be kept on file with the secretary of association and be open to examination by any stockholder.

*Use of word "cooperative."*—Not to be used as part of the name unless complying with the provisions of the act. Any violating organization may be enjoined by any citizen and be fined not to exceed \$100 for each offense,

## Chapter VIII.—Legislation Relating to Credit and Banking Societies

**T**HERE are at present laws authorizing the formation of cooperative credit societies in 32 States.<sup>1</sup> Of these, 22 have been enacted since 1920; in addition, in 1926, Massachusetts passed an act amending the old law throughout, while in 1929 Oregon repealed its former law and passed a new one.

There is a good deal of similarity in the cooperative credit association laws, and the wide variation evidenced in the consumers' cooperative laws is absent. This is due mainly to the fact that the great majority of the cooperative credit laws are based on the standard bill sponsored by the Credit Union National Extension Bureau of Boston. The present chapter endeavors to present a picture of this legislation as it stands in July, 1930.

As cooperative credit societies are generally termed "credit unions," in this country, most of the laws specify that the societies formed under them shall be called credit unions, and have exclusive title to the term. In Utah, however, they are known as "cooperative banks for personal credit," while in North Carolina the original credit union act has been amended so as to change the nomenclature of these societies to "savings and loan associations."

The powers granted to the associations by the various State laws generally include the right to buy and hold property, to sue and be sued, to borrow money, and to lend it. Generally the society is given the right to receive savings deposits from its members, and a few States also permit acceptance of deposits from nonmembers.

The widest powers are conferred by the law of Utah, which permits societies formed under it to conduct a general banking business for the benefit of the members. It is of interest, in this connection, to note that the Illinois law expressly prohibits credit unions from doing a banking business. Two States, however, Iowa and Nebraska, have each enacted not only a credit union law but also an act providing for the incorporation of cooperative banks; the Nebraska act was passed in 1921 and that of Iowa in 1927.<sup>2</sup>

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<sup>1</sup> Alabama (Acts of 1927, No. 597); Arizona (Acts of 1929, ch. 58); California (Acts of 1927, ch. 36); Florida (Acts of 1929, ch. 14499, p. 978); Georgia (Acts of 1925, No. 429, p. 165); Illinois (Acts of 1925, p. 255); Indiana (Acts of 1923, ch. 114); Iowa (Code, 1927, secs. 9283-b1 to 9283-b26 and 9305-a1 to 9305-a23); Kansas (Acts of 1929, ch. 141); Kentucky (Carroll's Kentucky Stats. (Baldwin's Rev.), 1930, secs. 883g-1 to 883g-28); Louisiana (Acts of 1924, No. 40, p. 63); Maryland (Acts of 1929, ch. 337); Massachusetts (Gen'l Laws, 1921, ch. 171, as amended by Acts of 1926, ch. 273; Acts of 1930, ch. 180); Michigan (Acts of 1925, No. 285, as amended by Acts of 1929, No. 303); Minnesota (Acts of 1925, ch. 206); Mississippi (Acts of 1924, ch. 177); Missouri (Acts of 1927, p. 164, as amended by Acts of 1929, p. 50); Montana (Acts of 1929, ch. 105); Nebraska (Comp. Stats. 1922, Art. XV, secs. 649-670 and 7982-8051); New Hampshire (Pub. Laws, 1926, ch. 267, as amended by Acts of 1929, ch. 46); New Jersey (Acts of 1924, ch. 48, as amended by Acts of 1929, ch. 266; Acts of 1930, ch. 153); New York (Acts of 1914, ch. 369, arts. 450-479, as amended by Acts of 1915, ch. 294; Acts of 1923, ch. 701; Acts of 1929, chs. 323, 324, 325); North Carolina (Consol. Stats. 1919, ch. 93, subch. III, secs. 5206-5241, as amended by Acts of 1925, ch. 73; Acts of 1929, ch. 47); Oregon (Acts of 1929, ch. 396); Rhode Island (Gen'l Laws, 1923, secs. 3925-3950); South Carolina (Civil Code, 1922, secs. 4003-4027); Tennessee (Acts of 1923, ch. 68); Texas (Rev. Civil Stats. 1925, arts. 2461-2484, as amended by Acts of 1929, ch. 17 and 2d spec. sess., 1929, ch. 85); Utah (Comp. Laws, 1917, secs. 1060-1082, as amended by Acts of 1929, ch. 40); Virginia (Acts of 1922, ch. 449, p. 775, as amended by Acts of 1930, ch. 16); West Virginia (Acts of 1925, ch. 36); and Wisconsin (Stats. 1923, ch. 186, secs. 186.01-186.18, as amended by Acts of 1929, ch. 323).

<sup>2</sup> Iowa (Code of Iowa, 1927, secs. 9283-b1 to 9283-b26); Nebraska (Comp. Stats., 1922, secs. 7982-8051). Massachusetts also has a law relating to cooperative banks, but in that State "cooperative bank" is the term used to designate building and loan associations.

## Provisions of Credit Union Laws

### Number of Incorporators

**T**HE LAW of California sets the minimum number of residents necessary for incorporation of a credit union at 3; those of Rhode Island and Montana at 5; those of 19 States<sup>3</sup> at 7; those of Georgia, Kentucky, Virginia, and West Virginia at 8; and those of South Carolina, Texas, Utah, and New Jersey at 10. In Nebraska 15 persons and in Massachusetts 20 persons are necessary for incorporation.

### Field of Membership

**N**O RESTRICTION is placed on the field from which the credit union membership may be drawn in the laws of 15 States.<sup>4</sup> All of the others, however, have some provisions on this point. Those of 13 States<sup>5</sup> limit the field to groups having a common bond of occupation or association, or to persons residing within a well-defined neighborhood, community, or rural district. The New York law, although phrasing its provision a little differently, covers practically the same groups, except that it permits also the formation of credit unions among "persons who \* \* \* have such a community of interest as will insure proper administration." The Michigan act adds that if a credit union is formed among the employees of a factory, workshop, mine, quarry, mercantile establishment, or public utility, the application for charter must be approved by the board of directors of the employing corporation. The New York law prohibits the formation of "neighborhood" credit unions to cover an area of more than 10,000 population and that of Illinois more than 50,000 population. The Illinois act requires, furthermore, that the statement of incorporation must specify the group to which membership shall be limited. The Texas law is that of narrowest application, authorizing only the formation of rural credit unions. The New Jersey law, as first enacted, was limited to employees of the same employer; later amendments permit the formation of credit unions among members of a church parish, society, or organization of war veterans and among agricultural workers. South Carolina restricts the membership to "natural persons," but the laws of 10 States specifically allow the admission to membership in the credit union of any organization of the same general membership as the credit union, and the Massachusetts law of any organization whose members are eligible to membership in the credit union.

### Powers of Credit Union

**T**HE credit unions are generally given the usual corporate powers, including the power to acquire property and to invest or borrow money, though these last are often restricted, the most usual restriction on investment being that limiting the securities permitted to

<sup>3</sup> Alabama, Arizona, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New York, North Carolina, Oregon, Tennessee, and Wisconsin.

<sup>4</sup> California, Georgia, Indiana, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, North Carolina, Oregon, Rhode Island, Tennessee, Utah, Virginia, and Wisconsin.

<sup>5</sup> Alabama, Arizona, Florida, Illinois, Iowa, Kansas, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, and West Virginia.

those allowed to savings banks or trust funds. In Rhode Island a further restriction limits such investments to one-third of the capital, deposits, and reserve. The laws of Alabama, Arizona, Florida, Iowa, Michigan, and Montana allow the credit union to invest up to 25 per cent of its capital in the shares of building and loan associations or of other credit unions, and those of Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee, Virginia, and West Virginia, 10 per cent of the capital and reserve in the stock of other credit unions. North Carolina also permits the investment of 25 per cent of capital and reserve in the stock of a central association.

The credit union laws of 23 States<sup>6</sup> contain restrictive provisions as to borrowing money, the amount permitted being as follows: 20 per cent of the assets in Illinois, 25 per cent in Wisconsin, and 50 per cent in Alabama, Arizona, Florida, Iowa, Michigan, Minnesota, and Montana; 25 per cent of the deposits in New Jersey; and 40 per cent of paid-in capital in California, New York, and Oregon (except that in New York and Oregon, if the credit union has capital of less than \$5,000, it may borrow up to \$2,000); 25 per cent of the capital, surplus, and reserve in Kansas and Missouri, 50 per cent in Georgia, Indiana, Louisiana, Mississippi, and Tennessee, and 40 per cent in North Carolina. In Kentucky, Virginia, and West Virginia credit unions may borrow and rediscount notes, but the total of sums borrowed and notes rediscounted may not exceed the sum of the capital, surplus, and reserve. In Wisconsin the period of such borrowings may not exceed 90 days unless approved by the commissioner of banking.

In North Carolina a 1925 amendment gives seven credit unions the right to form a central corporation "for the purpose of securing credit and discounting notes with any outside agency, and to act as a clearing house in the settlement of these accounts."

Massachusetts provides that "at least 5 per cent of the total assets of a credit union shall be carried as cash on hand or as balances due from banks and trust companies, or invested in the bonds or notes of the United States or of any State, or subdivision thereof, which are legal investments for savings banks as above provided. Whenever the aforesaid ratio falls below 5 per cent, no further loans shall be made until the ratio as herein provided has been reestablished."

### Management

ALL of the laws (except those of California, Illinois, Massachusetts, and Rhode Island) specify that the number of directors of the credit union shall be not less than five (the New Jersey law also stipulates not more than 10), and that there shall also be a credit committee of not less than 3 members and (except California, New Jersey, and Wisconsin) a similarly constituted supervisory committee. The Massachusetts law requires not less than 11 directors (unless there are fewer than 11 members), a credit committee of not less than 3, and an auditing committee of 3. In California the credit union must have at least 3 directors, a supervisory committee of not less than 7 members and a credit committee of not less than 3 members; and in Rhode

<sup>6</sup> Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, New York, North Carolina, Oregon, Tennessee, Virginia, West Virginia, and Wisconsin.

Island the number of directors must be some multiple of 3. The law of South Carolina also provides for a special committee to pass upon loans approved by the credit committee.

Directors and members of the committees are usually elected from the membership. The Texas act, however, provides that the members of the credit committee, and that of Illinois of the supervisory committee also, shall be chosen by and from the directors. In Virginia and West Virginia the directors may act as a credit committee if the membership so decides. The New York, North Carolina, and Oregon laws provide that if the credit union is not in a city, the board of directors may act as the credit committee. In Wisconsin, a director may not be a member of the credit committee. Unless there are fewer than 11 members in the association, a director may not be a member of both committees in Maryland and Massachusetts, or of either committee in nine States;<sup>7</sup> nor may any person be a member of both committees in six States.<sup>8</sup> The laws of Nebraska, Rhode Island, South Carolina, Utah, Virginia, and West Virginia contain both these restrictions, and the Oregon law the second of them, without regard to the size of the association.

In all States the officers (president, vice president, secretary, and treasurer) are elected by the directors from their own number.

Under the laws of 29 States,<sup>9</sup> no director or member of either committee may receive any compensation for his work; eight of these (Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, and Wisconsin) also stipulate that the officers may receive such pay as is authorized, either by the membership or the directors. Rhode Island also includes members of the credit committee in the foregoing provision. A 1929 amendment of the New York law provides that no credit union may pay compensation to members of committees except an attendance fee, nor to officers (except the one designated as manager) unless the net earnings for the previous year were equal to 6 per cent of the capital stock outstanding and unless the total compensation to officers, committee members, counsel, and employees amounted to less than one-fourth of gross earnings for the preceding year.

### Meetings

REGULAR general meetings of all the members must be held annually under the provisions of the laws of 28 States.<sup>10</sup> Special meetings may be called at any time by order of the board of directors in California, Massachusetts, and Wisconsin; of the board of directors or the supervisory committee in 18 States;<sup>11</sup> or of a majority of either body in New Hampshire. Special meetings must be called upon the request

<sup>7</sup> Georgia, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, New Hampshire, and Tennessee.

<sup>8</sup> California, New Hampshire, New York, North Carolina, Oregon, and Texas.

<sup>9</sup> Alabama, Arizona, California, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin.

<sup>10</sup> California, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin.

<sup>11</sup> Georgia, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, New York, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

of 10 members in California, Massachusetts, New Hampshire, New Jersey, New York, Oregon, Rhode Island, South Carolina, and Texas, of 10 per cent of the membership in 13 States,<sup>12</sup> and of 15 per cent of the members in Nebraska.

The cooperative principle of one man one vote is provided for in the laws of 28 States,<sup>13</sup> of which those of 6 (Massachusetts, New Hampshire, Rhode Island, South Carolina, Texas, and Wisconsin), provide further that after the credit society has been organized for one year no person shall have a vote until he has been a member for more than three months. Illinois excepts the election of directors from the general rule of one vote per person.

Proxy voting is prohibited in 25 States,<sup>14</sup> and except in the election of officers in Illinois, but the law of North Carolina provides that in case of sickness or other unavoidable absence a member may vote by mail. The laws of 20 States<sup>15</sup> allow an organization which is a member of a credit union to cast its vote through an accredited delegate.

### Funds

THE funds of credit unions are derived from their share capital, fees, and deposits.

The amount of capitalization is left to the decision of the credit union, but usually a limitation is imposed as to the par value of the individual share of stock. This is set at \$5 by the laws of Kentucky, Massachusetts, South Carolina, Utah, and Virginia; at not to exceed \$5 by the laws of Georgia and Texas; at \$10 by the Florida law; at not to exceed \$10 by the laws of 18 States;<sup>16</sup> and not to exceed \$25 by the laws of New York, North Carolina, and Oregon.

In New York no member may hold more than 5 per cent of the share capital of the association nor more than \$5,000 worth (\$500 if the paid-in capital does not exceed \$10,000); in California not more than \$2,000 worth; in Massachusetts not more than 400 shares or \$2,000 worth (except in credit unions which do not receive deposits, in which case the member may hold 800 shares); and in South Carolina not more than 200 shares.

Most of the laws permit credit unions to receive savings deposits only from members, but those of Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia allow deposits from nonmembers also. In Illinois, Kansas, Louisiana, and Missouri, deposits even from members are allowed only as part payment on shares of stock in the credit union.

The New Jersey law provides that members must deposit 25 cents "or even multiple thereof at such regular intervals and subject to such fines for failure to do so as may be determined by the by-laws

<sup>12</sup> Georgia, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Tennessee, Virginia, West Virginia, and Wisconsin.

<sup>13</sup> Alabama, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Wisconsin.

<sup>14</sup> Alabama, Arizona, Florida, Georgia, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New York, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Wisconsin.

<sup>15</sup> Alabama, Arizona, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Tennessee, Virginia, and West Virginia.

<sup>16</sup> Alabama, Arizona, California, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, Tennessee, and West Virginia.

unless excused by the board of trustees"; deposits received from member organizations may not exceed 25 per cent of the credit union's assets.

The California, Nebraska, and Wisconsin laws are silent as to deposits; the only mention of this point in the California law is that authorizing the credit union "to receive money and accumulate funds to be loaned."

Massachusetts limits the deposits of any individual member to \$2,000.

### Loans

THE Virginia and Wisconsin laws empower the credit unions to make loans only for provident purposes, and the laws of 12 States<sup>17</sup> to make loans only for productive and provident purposes. In Texas no loans may be granted except for productive purposes or urgent needs nor for longer than 12 months, nor may the loan be renewed for a sum as large as the original amount. In Utah the loans must be for productive purposes or of remedial character, and the association is empowered to transact "a general banking business in the interests of its members primarily." In Massachusetts, New Hampshire, Rhode Island, South Carolina, Utah, and Wisconsin the loan must be one which "promises to be of benefit to the borrower." Preference must be given to the smaller loan if the funds on hand are insufficient to cover all the loans which have been acted upon favorably in seven States.<sup>18</sup>

The laws of 10 States<sup>19</sup> provide that "a member who needs funds with which to purchase supplies for growing crops may receive a loan in fixed monthly installments instead of in one sum."

*To whom granted.*—The laws of eight States<sup>20</sup> permit a credit union to make a loan to any cooperative society or other organization having membership in the credit union. In no case, however, may a loan be made to a nonmember—either an organization or an individual. The New Jersey act specifically prohibits loans to member organizations. Under the laws of California, Kentucky, Maryland, Nebraska, New York, North Carolina, Oregon, Virginia, and West Virginia, any officer, director, or member of a committee of a credit union who knowingly permits a loan to be made or participates in a loan to a nonmember is guilty of a misdemeanor and may be held liable to the corporation for the amount illegally loaned. The Nebraska law also provides a penalty, on conviction, of not more than \$100 or imprisonment for 90 days.

The laws of New Hampshire, Rhode Island, and Wisconsin flatly prohibit loans to members of committees (Wisconsin, credit committee only) and those of Illinois, Indiana, and Tennessee to both directors or members of committees. In 9 States<sup>21</sup> loans to directors and members of committees may be allowed if approved by a vote of the members (in Utah by vote of supervisory committee), but those of

<sup>17</sup> Alabama, Arizona, Florida, Illinois, Iowa, Michigan, Minnesota, Montana, New Jersey, South Carolina, Texas, and West Virginia.

<sup>18</sup> Indiana, Kansas, Louisiana, Massachusetts, Mississippi, Missouri, and Tennessee.

<sup>19</sup> Georgia, Indiana, Kansas, Kentucky, Maryland, Missouri, North Carolina, Tennessee, Virginia, and West Virginia.

<sup>20</sup> Alabama, Arizona, Florida, Iowa, Michigan, Minnesota, Montana, and West Virginia.

<sup>21</sup> Georgia, Kentucky, Louisiana, Maryland, Mississippi, Nebraska, Oregon, South Carolina, and Texas.

12 States <sup>22</sup> allow such loans only to the amount held by such member in shares and deposits.

In Kentucky, Maryland, North Carolina, Virginia, and West Virginia, if such loans are approved, the supervisory committee must appoint a substitute to serve in the borrower's place. A 1929 amendment of the New York law provides that no director, officer, or member of a committee shall borrow or become surety for a loan unless he pledges an equal or greater amount in share capital, and in such cases the interest charged shall be not less than the rate charged "for loans of like character in the ordinary course of business."

Indorsements by directors and committee members of a loan to a member are prohibited in 14 States <sup>23</sup> and in 9 additional States <sup>24</sup> unless specifically authorized by vote of the membership. The Kansas and Missouri laws allow indorsements by directors and committee members of loans up to the amount of shares held by such members. In Utah such indorsements are forbidden after the third annual meeting of the credit union. In New Hampshire no member of a committee may become an indorser of a loan, but a director may do so if authorized by vote of the members.

*Procedure.*—In all of the 32 States except New Jersey applications for loans must be made in writing or on a form supplied by the credit committee, stating the purpose for which desired and the security (if any) offered. In 27 of these States <sup>25</sup> no loan may be granted unless it has the unanimous approval of the members of the credit committee who are present (and who must constitute at least a majority of the committee), <sup>26</sup> but appeal may be taken from the committee's decision to the board of directors, if the by-laws so provide. In 4 States <sup>27</sup> all members of the credit committee present must approve the loan and be satisfied "that it promises to benefit the borrower."

*Security.*—For loans of more than \$50, security must be given in 18 States, <sup>28</sup> and for those over \$100 in Massachusetts. For this purpose an indorsed note is deemed security in all of these States except Wisconsin. In New Jersey, if the proposed loan is less than 90 per cent of the borrower's deposits with the association, the assignment of these deposits is sufficient security and no indorsement is necessary; in this State, no member is acceptable as an indorser if he is already a borrower or indorser. In Illinois and Maryland the law specifically prohibits loans upon the security of first mortgages upon real estate, but in Utah all loans of more than \$500 must be secured by real estate valued at twice the amount of the loan or by approved securities. The Massachusetts law accepts an assignment of wages as satisfactory collateral for loans not over \$250.

*Maximum loan.*—No person may borrow more than \$500 in Louisiana and New Jersey, more than \$1,000 in Illinois, Kansas, Missouri,

<sup>22</sup> Alabama, Arizona, California, Florida, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Missouri, and Montana.

<sup>23</sup> Alabama, Arizona, California, Florida, Illinois, Indiana, Iowa, Massachusetts, Michigan, Minnesota, Montana, Rhode Island, Tennessee, and Wisconsin.

<sup>24</sup> Georgia, Kentucky, Louisiana, Maryland, Mississippi, Nebraska, Oregon, South Carolina, and Texas.

<sup>25</sup> Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New York, North Carolina, Oregon, Tennessee, Utah, Virginia, and West Virginia.

<sup>26</sup> Two-thirds in Massachusetts and New Hampshire, and a quorum in Utah.

<sup>27</sup> Rhode Island, South Carolina, Texas, and Wisconsin.

<sup>28</sup> California, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Oregon, Tennessee, Virginia, West Virginia, and Wisconsin.

and Texas, more than \$2,000 in California, more than \$3,000 in Utah, more than \$3,000 in personal loans or \$8,000 in mortgage loans in Massachusetts, more than an amount equal to the borrower's shares and deposits in New York, or more than an amount equal to 10 per cent of the society's paid-in capital in Oregon.

*Interest.*—The laws of 26 States<sup>29</sup> regulate the rate of interest to be charged by credit unions on loans made by them. In North Carolina the legal rate may be charged and in New Hampshire not to exceed the legal rate. In South Carolina the interest rate may not exceed 7 per cent, in Indiana 8 per cent per year "not collectible in advance," in Texas 10 per cent, and in Utah 12 per cent. In 17 States,<sup>30</sup> the rate may not exceed 1 per cent, in West Virginia 1¼ per cent, and in Virginia 1½ per cent per month, computed on the unpaid balances. The New Jersey laws also provides that "no charges, bonus, fees, expenses, or demands of any nature whatsoever other than as above provided shall be made upon loans or advancements except upon the actual foreclosure of the security or upon the entry of judgment." In New York the interest may not exceed 1 per cent per month, or 5.9 per cent per year if deducted in advance, and in either case must be inclusive of all charges incident to the making of such loan; if the member pays off a loan before due, "the pro rata unearned portion of interest shall be refunded." The Wisconsin statute provides that a rate of 1 per cent per month on unpaid balances "shall not be held to be usurious."

#### Reserve (Guaranty) Fund

A CERTAIN percentage of each year's net earnings must be put into the reserve fund. The laws of Alabama, Massachusetts, New Hampshire, and Utah fix this percentage at 10, that of New Jersey at 15, those of 22 States<sup>31</sup> at 20 per cent, and those of Maryland, Nebraska, New York, North Carolina, and Oregon at 25 per cent. The appropriation for reserve may be decreased or discontinued in some States, when the fund equals a certain sum, set at the amount of the paid-in capital in 18 States,<sup>32</sup> at 20 per cent of the paid-in capital in New Hampshire, at 10 per cent of the assets in Wisconsin, at 15 per cent of the assets in Massachusetts, and at 25 per cent of the deposits in New Jersey.

The Massachusetts law also provides that when the losses and bad debts of the association exceed 20 per cent of the guaranty fund, a special reserve must be created which shall equal the amount of such excess of losses; and the Minnesota law provides for special reserves of not less than 5 per cent of the amount of deposits. The New York, North Carolina, and Oregon laws specify that in no case may the reserve be allowed to exceed the capital plus 50 per cent of the other liabilities.

<sup>29</sup> Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New York, North Carolina, Oregon, South Carolina, Texas, Utah, Virginia, and West Virginia.

<sup>30</sup> Alabama, Arizona, California, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, New Jersey, and Oregon.

<sup>31</sup> Arizona, California, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Wisconsin.

<sup>32</sup> Alabama, California, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, and West Virginia.

### Reports

REGULAR periodic reports to and examination by a specified public authority, usually the State commissioner or superintendent of banks, insurance, or corporations, are required by the laws of 32 States.<sup>33</sup> But the Alabama law provides that in a credit union of employees of an industrial establishment, the power of supervision may be delegated to the auditing department of the establishment, which shall furnish any reports called for by the superintendent of insurance, and the laws of seven States<sup>34</sup> that if the credit union has assets of less than \$25,000 the report of a certified public accountant may be accepted.

A penalty of \$5 per day for every day of delinquency in furnishing required reports is set by the laws of 24 States<sup>35</sup>; of \$10 per day in Georgia, Kentucky, and Wisconsin; of not more than \$10 per day in Virginia; and of \$1 per day in Kansas and Missouri.

### Voluntary Dissolution

THE laws of 19 States<sup>36</sup> provide that a credit union may be voluntarily dissolved on four-fifths vote (three-fourths vote in North Carolina) of the membership at a special meeting called for the purpose, the result of the vote being reported to the State official in charge of credit unions in a sworn statement; in such cases the association must remain in existence for three years (five years in Oregon, time not specified in Kentucky and North Carolina) in order to wind up its affairs.

In Massachusetts a credit society may be dissolved on two-thirds vote of a special meeting. In Nebraska, Rhode Island, South Carolina, Texas, Utah, and Wisconsin dissolution may take place if the board of directors unanimously recommends it and it is so voted at a special meeting at which two-thirds of the entire membership are present, but provided (except in Nebraska) not more than 10 members vote in the negative.

In New Hampshire the matter must have the recommendation of not less than two-thirds of the board of directors and receive the votes of two-thirds of all members entitled to vote, at a special meeting called for the purpose.

In Georgia the procedure for dissolution is the same for credit unions as for banks (with a fee of \$10), and in New Jersey the same as for building and loan associations.

### Use of Name "Credit Union"

IN 31 States<sup>37</sup> the words "credit union" may not be used by any corporation unless formed under and conforming to the credit union

<sup>33</sup> Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin.

<sup>34</sup> Arizona, Florida, Illinois, Iowa, Michigan, Minnesota, and West Virginia.

<sup>35</sup> Alabama, Arizona, California, Florida, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nebraska, New Hampshire, New York, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, and West Virginia.

<sup>36</sup> Alabama, Arizona, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, North Carolina, Oregon, Tennessee, and West Virginia.

<sup>37</sup> Alabama, Arizona, California, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin.

law. The unlawful use of the name is regarded as a misdemeanor in 18 of these.<sup>38</sup> The Indiana law provides for a penalty of not to exceed \$100, that of Louisiana for one of not less than \$25 nor more than \$250, that of Virginia and West Virginia of not less than \$10 nor more than \$100 per day, that of Massachusetts of not to exceed \$1,000, and that of Wisconsin for a fine of not less than \$300 nor more than \$1,000 or imprisonment for not less than 60 days nor more than 1 year, or both.

### Provisions of Cooperative Bank Laws

**T**HUS far, as already stated, only two States—Iowa and Nebraska—have enacted legislation authorizing the formation of cooperative banks. A summary of the provisions of these follows.

*Scope.*—In Iowa a cooperative bank may enter any field of business open to regularly incorporated State banks.

*Number of incorporators.*—Fifty persons are necessary for the incorporation of a cooperative bank in Iowa.

*Value of share.*—In Iowa the par value of each share is set at not less than \$10.

*Stock ownership per member.*—Under the Nebraska law no member of a cooperative bank may hold more than 4 per cent of the capital stock. The Iowa law leaves this to the directors to determine.

*Meetings.*—Under the Iowa law meetings must be held annually in January. Special meetings may be called by the president or a majority of the directors and must be held upon written request of 10 per cent of the stockholders.

*Voting.*—The Iowa law provides that each member shall have but one vote, regardless of his holdings in stock; proxy voting is permitted, however.

*Distribution of earnings.*—The maximum rate of interest that may be paid on capital stock is set at 8 per cent in Iowa and 10 per cent in Nebraska.

In Iowa cooperative banks are required to create a surplus fund equal to one-half the amount of the capital stock. In Nebraska 20 per cent of the net earnings each year must be set aside until the fund equals 20 per cent of the paid-in capital. The Nebraska law also provides for a special assessment to be kept in a separate fund, called "cooperative bank protective fund," for the protection of the depositors.

The Iowa law provides that after the required surplus has been created and interest has been paid on the capital stock, the remainder of the net earnings may be distributed as dividends or credited to those depositors and borrowers from the bank who are also stockholders, in proportion to the amount of interest received and accrued to the deposits and the amount of interest paid by the borrowers. In Nebraska dividends may be distributed to the stockholder depositors or borrowers, or both, in proportion to the average daily balance of their deposits or loans.

*Reports and examination.*—Cooperative banks are under the supervision of the State Department of Banking in Iowa, and the Department of Trade and Commerce in Nebraska. Like other banks they

<sup>38</sup> Arizona, California, Florida, Georgia, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, New York, North Carolina, Oregon, Tennessee, and West Virginia.

must submit reports on their year's operation, on the dates set for State banks in Iowa, and four times a year in Nebraska.

They are subject to annual examination by the designated State officials, under both laws.

*Dissolution.*—The Iowa statute provides that in the event of liquidation, all capital stock must be redeemed at par, together with accrued interest. The assets remaining shall be then distributed to the stockholder depositors and borrowers on the same basis as is used in the distribution of dividends.

## Synopsis of Banking and Credit Laws <sup>39</sup>

### Alabama

(Acts of 1927, No. 597)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation.*—With superintendent of insurance.

*Limitation on membership.*—Restricted to groups having a common bond of occupation, or association or to groups within a well-defined neighborhood, community, or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, secretary and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks and trust funds. May invest not to exceed 25 per cent of capital in shares of building and loan associations and of other credit unions.

*Right to borrow.*—Restricted to amount not exceeding 50 per cent of assets.

*Meetings.*—As by-laws provide.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Application must be on form provided, and must state purpose for which desired, and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by directors, officers, and members of committees.*—Loans only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Reserve fund.*—Shall consist of all entrance fees and fines, plus 10 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually on recommendation of directors, on all shares outstanding.

*Annual reports.*—To superintendent of insurance on or before February 1. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually by superintendent of insurance, but if association has assets of less than \$25,000 he may accept audit of practicing public accountant. If organized among employees of an industrial enterprise, he may delegate supervision to that company, accepting its report.

*Taxation.*—Exempt except for real estate and franchise taxes.

*Voluntary dissolution.*—On vote of four-fifths of membership in special meeting, certified to superintendent of insurance, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited unless organized under act, in which case it must be used.

<sup>39</sup> As of summer of 1930.

## Arizona

(Acts of 1929, ch. 58)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation and amendments.*—With superintendent of banks, Arizona Corporation Commission, and county recorder.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association or to groups within a well-defined neighborhood, community or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, clerk and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—May invest not to exceed 25 per cent of capital in shares of building and loan associations and of other credit unions.

*Right to borrow.*—Restricted to sum not exceeding 50 per cent of assets.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Applications must be on form provided, and must state purpose for which desired, and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by directors and committee members.*—Loans only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance fees and fines, plus 20 per cent of net earnings each year.

*Dividends.*—Payable annually on recommendation of directors, on all shares outstanding.

*Annual reports.*—To superintendent of banks, on or before June 30. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by superintendent of banks, but if association has assets of less than \$25,000, he may accept audit of practicing public accountant.

*Voluntary dissolution.*—On vote of four-fifths of membership in special meeting, certified to superintendent of banks, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## California

(Acts of 1927, ch. 36)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Three or more residents of State.

*Term of charter.*—Not to exceed 50 years.

*Value of share.*—Not to exceed \$10.

*Stock ownership per member.*—Not to exceed \$2,000.

*Management.*—Not less than 3 directors, credit committee of not less than 3, and supervisory committee of not less than 7. No person may be a member of both committees. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks; and in building and loan certificates.

*Right to borrow.*—Restricted to amount equal to 40 per cent of capital.

*Meetings.*—Annually, in January. Special meetings on order of directors or at request of 10 members.

*Loans.*—To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50; secured, \$2,000.

*Loans to nonmembers.*—Any officer, director, or member of a committee who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable for the amount of the loan.

*Loans to and indorsements by directors and committee members.*—Loans only to amount of holdings; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note is accepted as security.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees and fines, plus 20 per cent of net earnings each year until fund equals amount of capital.

*Dividends.*—At discretion of board of directors, payable on fully paid shares outstanding.

*Annual reports.*—To commissioner of corporations within 30 days after close of credit union's fiscal year. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by commissioner of corporations.

*Examination fee.*—\$25.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act, in which case it must be used.

## Florida

(Acts of 1929, ch. 14499, p. 978)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation.*—With comptroller of State.

*Filing fee.*—\$5.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—\$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, treasurer and clerk (last two may be combined), elected by and from directors.

*Investment of funds.*—May invest not to exceed 25 per cent of capital in shares of building and loan associations and of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of assets.

*Meetings.*—As by-laws provide.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Applications must be on form provided, and must state purpose for which desired, and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by directors, officers, and members of committees.*—Loans, only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Reserve fund.*—Shall consist of all entrance fees, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually on recommendation of directors, on all shares outstanding.

*Annual reports.*—To comptroller of State, on or before June 20. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examinations.*—Annually, by comptroller of State, but if association has assets of less than \$25,000 he may accept audit of practicing public accountant.

*Examination fee.*—\$5.

*Voluntary dissolution.*—On vote of four-fifths of membership in special meeting, certified to comptroller of State, but must remain in existence for 3 years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act, in which case it must be used.

## Georgia

(Acts of 1925, No. 429, p. 165)

*Number who may organize.*—Eight or more persons.

*Term of charter.*—Twenty years; renewable.

*Filing articles of incorporation.*—With secretary of state, and clerk of superior court of county.

*Value of share.*—Not to exceed \$5.

*Deposits.*—From both members and nonmembers.

*Management.*—Not less than five directors and credit and supervisory committee of not less than three each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 10 per cent of capital and reserve in stock of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of sum of capital, surplus, and reserves.

*Meetings.*—Annually, in January. Special meetings at order of directors or supervisory committee and on written request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by directors, officers, and committee members.*—Prohibited unless authorized by vote of stockholders in special meeting.

*Interest on loans.*—Not to exceed 1 per cent a month.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net profits each year, until fund equals the amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—Semiannually, to superintendent of banks. Failure to report subjects association to fine of \$10 for each day of delinquency.

*Examination.*—Annually, by superintendent of banks.

*Taxation.*—Subject only to ad valorem tax on property.

*Voluntary dissolution.*—Procedure same as for banks. Fee, \$10.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Illinois

(Acts of 1925, p. 255)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Seven or more adult residents of State.

*Filing articles of incorporation.*—With auditor of public accounts, and county recorder of deeds.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. No credit union may be formed for a neighborhood, community, or rural district with a population of more than 50,000.

*Value of share.*—Not to exceed \$10.

*Deposits.*—Allowed only as part payment on shares.

*Management.*—Number of directors not specified. Credit committee of not less than three and supervisory committee of three, elected by and from directors. Officers to be president, vice president, treasurer, and secretary (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Right to borrow.*—Restricted to amount equal to 20 per cent of assets.

*Liability of individual member.*—Limited to twice the amount of his shares.

*Meetings.*—As by-laws provide.

*Voting.*—Each member one vote, except in election of directors.

*Vote by proxy.*—Prohibited except in election of officers, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident and productive purposes only. To members only. Applications must be on form provided and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50; secured, \$1,000.

*Loans to and indorsements by directors, officers, and committee members.*—Prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security. Loans on real estate prohibited.

*Reserve fund.*—Shall consist of all entrance fees and fines, plus 20 per cent of net earnings each year.

*Dividends.*—Payable annually, semiannually, or quarterly, on recommendation of directors, on all shares outstanding.

*Annual reports.*—To auditor of public accounts on or before February 1. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by auditor of public accounts, but if association has assets of less than \$25,000 he may accept audit of practicing public accountant.

*Examination fee.*—\$25, plus 2 cents for every \$1,000 of assets.

*Voluntary dissolution.*—On four-fifths vote of membership at special meeting, certified to auditor of public accounts, but may remain in existence for three years to wind up affairs.

## Indiana

(Acts of 1923, ch. 114)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation and amendments.*—With secretary of state and county recorder.

*Filing fee.*—Same as for voluntary associations.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, and credit and supervisory committee of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice president, secretary and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks.

*Right to borrow.*—Restricted to amount equal to 50 per cent of sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings by order of directors or supervisory committee, and on request of 10 per cent of the members.

*Voting.*—Each member one vote, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee. Preference must be given to the smaller loans, if funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to and indorsements by directors and committee members.*—Prohibited.

*Interest on loans.*—Not to exceed 8 per cent a year, not collectible in advance.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net profits each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—Semiannually, to bank commissioner. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by bank commissioner.

*Examination fee.*—Same as for building and loan associations.

*Taxation.*—Same as savings banks.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to secretary of state, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited unless organized under act, on penalty of fine of not more than \$100.

### Iowa (Cooperative Banks)

(Code, 1927, secs. 9283-b1 to 9283-b26)

*Number who may organize.*—Fifty or more persons.

*Value of share.*—Not less than \$10.

*Stock ownership per member.*—Left to discretion of board of directors.

*Meetings.*—Annually, in January. Special meetings may be called by president or a majority of directors and must be called upon written request of 10 per cent of members.

*Voting.*—Each member one vote.

*Proxy voting.*—Permitted.

*Distribution of earnings.*—Not to exceed 8 per cent on stock. Unspecified amount to be set aside for reserves fund each year until fund equals one-half of capital.

### Iowa (Credit Unions)

(Code, 1927, secs. 9305-a1 to 9305-a23)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation.*—With superintendent of banking.

*Filing fee.*—\$2.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, treasurer, and clerk (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 25 per cent of capital in paid-up shares of building and loan associations and of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of assets.

*Meetings.*—Annually. Special meetings as provided in by-laws.

*Voting.*—Each member one vote.

*Voting by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Applications must be on form provided and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to or indorsements by officers and committee members.*—Loans, only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance fees and fines, plus 20 per cent of net earnings each year.

*Dividends.*—Payable annually, on recommendation of the directors, on all shares outstanding.

*Annual reports.*—To superintendent of banking, on or before January 1.

*Examination.*—Annually, by superintendent of banks, but if association has assets of less than \$25,000 he may accept audit of practicing public accountant.

*Taxation.*—Subject to taxes on real estate, money, and credits.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to superintendent of banking, but must remain in existence for 3 years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Kansas

(Acts of 1929, ch. 141)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation and amendments.*—With bank commissioner, and secretary of state.

*Filing fee.*—\$5, to secretary of state.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups residing within a well-defined neighborhood, community, or rural district.

*Value of share.*—Not to exceed \$10.

*Deposits.*—Allowed only as part payment on shares.

*Management.*—Not less than 5 directors, and credit and supervisory committees of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice-president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks.

*Right to borrow.*—Restricted to amount equal to 25 per cent of sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings at order of directors or supervisory committee and at request of 10 per cent of members.

*Voting.*—Each member 1 vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee. Preference must be given to the smaller loans, if funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Unsecured, \$50; secured, \$1,000.

*Loans to or indorsement by directors or committee members.*—Only to amount of shares held.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security on loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net earnings each year, until fund equals amount of paid-in capital.

*Dividends.*—Payable annually on all fully paid shares outstanding.

*Reports.*—Semiannually, to bank commissioner. Failure to report subjects association to fine of \$1 for each day of delinquency.

*Examination.*—Annually, by bank commissioner.

*Examination fee.*—\$20, if resources are less than \$25,000; if over that amount, the same fees as are paid by banks.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to bank commissioner, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Kentucky

(Carroll's Kentucky Statutes (Baldwin's Revision), 1930, secs. 883g-1 to 883g-28)

*Number who may organize.*—Eight or more residents of State.

*Filing articles of incorporation and amendments.*—With head of department of banking, and county clerk.

*Value of share.*—\$5.

*Deposits.*—From both members and nonmembers.

*Management.*—Not less than 5 directors, and credit and supervisory committees of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice-president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 10 per cent of capital and reserve in stock of other credit unions.

*Right to borrow.*—Restricted to amount equal to sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and on written request of 10 per cent of membership.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to nonmembers.*—Any officer or member of a committee who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable for the amount of the loan.

*Loans to and indorsements by officers and committee members.*—Prohibited unless authorized by vote of stockholders at special meeting. In case of a loan to or indorsement by a member of the credit committee, the supervisory committee must appoint a substitute to act for him on the committee while the case is under consideration.

*Interest on loans.*—"Reasonable" rates.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net earnings each year, until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—To head of department of banking. Failure to report subjects association to fine of \$10 for each day of delinquency.

*Examination.*—Annually, by head of department of banking.

*Examination fee.*—\$5 per day for time actually required in examination, plus traveling expenses of examiner.

*Taxation.*—Exempt from all except real estate taxes.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to head of department of banking, but must remain in existence until affairs are wound up.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Louisiana

(Acts of 1924, No. 40, p. 63)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation.*—In mortgage office of parish; two certified copies to State bank commission, together with certificate showing recordation in mortgage office.

*Fees.*—\$2 to mortgage office; \$10 to State bank commission.

*Limitation on membership.*—Restricted to groups having a common bond of occupation, association or residence within a well-defined neighborhood, small community, or rural district. May also admit to membership an organization composed primarily of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—Allowed only as part payment on shares.

*Management.*—Not less than 5 directors, and credit and supervisory committee of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 10 per cent of paid-in capital and reserve in stock of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of sum of paid-in capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and at request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee. Preference must be given to the smaller loans, if funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Unsecured, \$50; secured, \$500.

*Loans to and indorsements by directors and committee members.*—Prohibited unless authorized by vote of majority of membership.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Annual reports.*—To State bank commissioner on or before January 21. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by State bank commissioner.

*Examination fee.*—\$10 for associations with gross assets of less than \$75,000; for those over that amount, the same fees as are paid by savings banks.

*Taxation.*—Exempt from all except real estate taxes.

*Voluntary dissolution.*—By four-fifths vote of membership in special meeting, certified to State bank commissioner, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, on penalty of fine of not less than \$25 nor more than \$250. If organized under act, name must be used.

## Maryland

(Acts of 1929, ch. 337)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation and amendments.*—With State Tax Commission.

*Filing fee.*—Same as for other corporations.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, and credit and supervisory committee of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of both committees. Officers to be president, vice president, secretary, and treasurer (last 2 may be combined), elected by and from directors. No director or committee member may receive any compensation for his services; officers, such compensation as members authorize.

*Investment of funds.*—Same as for savings banks.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and on request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to nonmembers.*—Any officer or member of a committee who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable for the amount of the loan.

*Loans to and indorsements by directors and committee members.*—Only to amount of holdings in shares and deposits, unless authorized by majority vote at regular meeting, advance notice being given of matter to be considered. In case of a loan to or indorsement by a member of the credit committee, the supervisory committee must appoint a substitute to act in his place on the committee while the case is under consideration.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security, but not mortgages on real or leasehold property.

*Reserve fund.*—Shall consist of all entrance and transfer fees and fines, plus 25 per cent of net earnings each year.

*Dividends.*—Payable annually, in manner provided in by-laws.

*Annual reports.*—To bank commissioner. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by bank commissioner.

*Taxation.*—Exempt from tax on real estate.

*Voluntary dissolution.*—On four-fifths vote of membership at special meeting, certified to bank commissioner, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

### Massachusetts

(General Laws, 1921, ch. 171, as amended by Acts of 1926, ch. 273; Acts of 1930, ch. 180)

*Number who may organize.*—Twenty or more residents of State.

*Filing articles of incorporation.*—With commissioner of banks, and secretary of state.

*Filing fee.*—\$5 to secretary of state.

*Limitation on membership.*—As provided in by-laws. May admit to membership any fraternal organization, voluntary association, partnership, or corporation having place of business in the State and composed of members who themselves are eligible for membership in the credit unions.

*Value of share.*—\$5.

*Stock ownership and deposits per member.*—Not more than 400 shares of stock (except in credit unions which do not receive deposits, 800 shares); deposits not to exceed \$2,000.

*Deposits.*—From members only. Deposits from organizations which are members may not, in the aggregate, exceed 25 per cent of the credit-union assets.

*Management.*—Not less than 11 directors (unless the membership is less than 11), credit committee of not less than 3, and auditing committee of 3, elected by and from directors. Unless there are fewer than 11 members no director may be a member of both committees. Officers to be president, one or more vice presidents, clerk, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services; officers, such compensation as authorized by members.

*Investment of funds.*—May invest funds not needed for loans in securities legal for savings bank investments or in shares of cooperative banks (building and loan associations) of the State. But at least 5 per cent of the total assets must be carried as cash or in investments legal for savings banks, failing which no more loans may be made until the ratio of 5 per cent is reestablished.

*Meetings.*—Annually, not later than 30 days after last business day of October. Special meetings on order of majority of directors and on written application of 10 or more voting members.

*Voting.*—Each member one vote, but not until after three months' membership; minors under 18 not entitled to vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—Only for purposes which promise to benefit the borrower. To members only. Applications must be in writing and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least two-thirds of the committee. Preference must be given personal loans, and to smaller loans when funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Personal loans: (1) Secured only by note of borrower, \$100; (2) secured by note of borrower and two or more indorsements or collateral or by joint note of two or more members, \$300; (3) secured by note of borrower and two or more indorsements or collateral or by joint note of three or more members, \$1,000; (4) secured by note of borrower and two or more indorsements or by joint note of three or more members, with (in either case) collateral valued at not more than 80 per cent of its market value, \$1,500; (5) secured by note of borrower and collateral (in United States bonds or notes or State or other securities legal for savings banks) valued at not more than 80 per cent of its market value, or by assignment of pass book in savings bank, savings department of trust company, or national bank, or cooperative bank (building and loan association), \$3,000; (6) secured by note of borrower and assignment of shares and deposits in credit union, amount of said shares and deposits.

Real estate mortgage loans: \$8,000 or 5 per cent of assets of credit union; in no case may amount of loan exceed 60 per cent of value of property mortgaged. Amount that credit union may lend on mortgage is limited to 70 per cent (and in associations with assets of less than \$75,000, 50 per cent) of sum of shares, deposits, and guaranty fund.

*Loans to and indorsements by directors and committee members.*—Loans, only to amount of holdings in shares and deposits; indorsements prohibited.

*Security for personal loans.*—Assignment of wages is accepted as collateral for personal loans of \$250 or less.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees, plus 10 per cent of gross income each year until fund equals 15 per cent of assets, and thereafter enough to maintain it at that figure.

Whenever losses and bad debts exceed 20 per cent of guaranty fund, a special reserve must be set up equal to the amount of such excess.

*Dividends.*—Payable annually, or semiannually, according to by-laws, on all fully paid shares outstanding. Limited to 8 per cent until guaranty fund equals 15 per cent of assets.

*Annual reports.*—To commissioner of banks, within 20 days after last business day in December. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Voluntary dissolution.*—On two-thirds vote at special meeting.

*Use of name "credit union."*—Prohibited, on penalty of fine of not more than \$1,000, unless organized under act, in which case it must be used.

*Examination.*—By commissioner of banks.

*Examination fee.*—Fifteen cents for each \$1,000 of assets (but not less than \$5); fee not levied until association has been in operation three years, unless its assets within that period amount to \$25,000 or more.

## Michigan

(Acts of 1925, No. 285, as amended by Acts of 1929, No. 303)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Seven or more residents of State. If credit union is to be organized among the employees of a company, the approval of the latter must be obtained.

*Filing articles of incorporation.*—With county clerk.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, treasurer, and clerk (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 25 per cent of capital in paid-up shares of building and loan associations and of other credit unions.

*Right to borrow.*—Restricted to sum not to exceed 50 per cent of assets.

*Meetings.*—Annually. Special meetings as provided in by-laws.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Applications must be on form provided and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by directors, officers, and committee members.*—Loans, only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares and deposits is accepted as security.

*Reserve fund.*—Shall consist of all entrance fees and fines, plus 20 per cent of net earnings each year.

*Dividends.*—Payable annually, on recommendation of directors, on fully paid shares outstanding.

*Annual reports.*—To commissioner of banks, on or before December 31. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—By commissioner of banks, but if association has assets of less than \$25,000 he may accept audit of practicing public accountant.

*Taxation.*—Subject only to tax on real estate.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to commissioner of banks, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Minnesota

(Acts of 1925, ch. 206)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation and amendments.*—With superintendent of banks, and county register of deeds.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups within a well-defined rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, treasurer, and clerk (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks.

*Right to borrow.*—Restricted to 50 per cent of assets.

*Meetings.*—Annually. Special meetings as by-laws provide.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Applications must be on form provided and state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by officers and committee members.*—Loans only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares or deposits is accepted as security.

*Reserve fund.*—Shall consist of all entrance fees and fines, plus 20 per cent of net earnings each year. Special reserve of not less than 5 per cent of amount of deposits.

*Dividends.*—Payable annually, on recommendation of directors, on all shares outstanding.

*Annual reports.*—To superintendent of banks, on or before December 31. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by superintendent of banks, but if association has assets of less than \$25,000 he may accept audit of a certified public accountant.

*Examination fee.*—Same as for building and loan associations.

*Taxation.*—Subject to same taxes as savings banks.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to superintendent of banks, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Mississippi

(Acts of 1924, ch. 177)

*Scope and purpose.*—Promotion of thrift and provision of means of credit.

*Number who may organize.*—Seven or more resident citizens of State.

*Filing articles of incorporation and amendments.*—With secretary of State, State banking department, and clerk of chancery court of county.

*Filing fee.*—Ten dollars, to secretary of state.

*Limitation of membership.*—Restricted to groups having a common bond of occupation, association, or residence within a well-defined neighborhood, small community, or rural district. May also admit to membership an organization composed primarily of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, and credit and supervisory committee of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—In securities approved by State banking department. May invest not to exceed 10 per cent of capital and reserve in the stock of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of sum of surplus, capital, and reserve.

*Meetings.*—Annually, within the month in which annual report is filed. Special meetings on order of directors or supervisory committee, and on request of 10 per cent of members.

*Voting.*—Each member one vote. If by-laws provide for referendum, such votes to be by mail or in writing.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee. Preference must be given to the smaller loans if funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to and indorsements by directors and committee members.*—Prohibited unless authorized by majority vote of membership.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees and fines, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Annual reports.*—To State banking department on or before January 21. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by State banking department.

*Examination fee.*—Ten dollars a day and necessary expenses of examiner, plus \$10 a year for overhead expenses of State banking department.

*Taxation.*—Subject to real estate taxes, plus "privilege" taxes based on shares representing monthly payments, as follows: Shares up to \$250, tax \$5; shares \$250 to \$500, tax \$10; shares \$500 to \$1,000, tax \$20; shares \$1,000 to \$2,000, tax \$40; shares over \$2,000, tax \$60.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to superintendent of banks, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act, in which case it must be used.

## Missouri

(Acts of 1927, p. 164, as amended by Acts of 1929, p. 50)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation and amendments.*—With county recorder of deeds.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups residing within a well-defined neighborhood, community, or rural district.

*Value of share.*—Not to exceed \$10.

*Deposits.*—Allowed only as part payment on shares.

*Management.*—Not less than 5 directors, and credit and supervisory committee of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services. Salaries paid officers must be approved by members.

*Investment of funds.*—Same as for savings banks.

*Right to borrow.*—Restricted to amount equal to 25 per cent of sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and on request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired, and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee. Preference must be given to the smaller loans if funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Unsecured, \$50; secured, \$1,000.

*Loans to and indorsements by directors and committee members.*—Only to amount of shares held.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—To commissioner of securities, in January and July. Failure to report subjects association to fine of \$1 for each day of delinquency.

*Examination.*—Annually, by commissioner of securities.

*Examination fee.*—Actual cost of examination, but not to exceed \$7 per day for each examiner.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to commissioner of securities, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Montana

(Acts of 1929, ch. 105)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Five or more persons.

*Filing articles of incorporation.*—With secretary of state.

*Filing fee.*—\$5.

*Limitation on membership.*—Restricted to groups having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community, or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Officers to be president, vice president, treasurer, and clerk (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 25 per cent of capital in paid-up shares of building and loan associations and of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of assets.

*Meetings.*—Annually. Special meetings as by-laws provide.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Application must be on form provided and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Loans to and indorsements by officers and committee members.*—Loans, only to amount of holdings in shares and deposits; indorsements prohibited.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares or deposits accepted as security.

*Reserve fund.*—Shall consist of all entrance fees, plus 20 per cent of net earnings each year.

*Dividends.*—Payable annually, on recommendation of directors, on all shares outstanding.

*Reports.*—Semiannually, to State examiner, on or before June 30 and December 31. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by State examiner.

*Taxation.*—Subject to tax on real estate, furniture, and fixtures only.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to State examiner and superintendent of banks, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act, but any existing associations may keep present names. Name of associations organized under act must include words "credit union."

### Nebraska (Cooperative Banks)

(Compiled Statutes, 1922, secs. 7982-8051)

*Stock ownership per member.*—Not to exceed 4 per cent of capital stock.

*Distribution of earnings.*—Twenty per cent of net earnings to reserve each year until fund equals 20 per cent of paid-in capital.

*Special fund.*—Special fund to be created, to be called "cooperative bank protective fund," for the protection of the depositors.

*Examination.*—Banks are subject to supervision of State Department of Trade and Commerce.

### Nebraska (Credit Unions)

(Compiled Statutes, 1922, secs. 649-670)

*Number who may organize.*—Fifteen or more citizens resident in one locality.

*Filing articles of incorporation and amendments.*—With State banking board and county clerk.

*Value of share.*—Not to exceed \$10.

*Management.*—Not less than 5 directors, and credit and supervisory committee of not less than 3 each. No director may be a member of either committee and no person may be a member of both committees. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors.

*Liability of individual member.*—Limited to twice the amount of his shares.

*Meetings.*—Annually, in January. Special meetings on call of directors or supervisory committee and on written petition of not less than 15 per cent of members.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to nonmembers.*—Any officer, director, or committee member who knowingly permits a loan to a nonmember is guilty of a misdemeanor and subject to a fine of not more than \$100, or 90 days' imprisonment, besides being liable for the amount of the loan.

*Loans to and indorsements by officers and committee members.*—Prohibited unless authorized by majority vote of meeting with not less than a quorum attending.

*Security for loans.*—Note indorsed by two solvent members is accepted as security.

*Reserve (guaranty) fund.*—Shall consist of all fees and fines, plus at least 25 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, but rate shall not exceed rate of interest charged on the major part of the money loaned during year.

*Annual reports.*—To State Banking Board, on or before February 1. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—By State Banking Board.

*Voluntary dissolution.*—On unanimous recommendation of directors and two-thirds vote of membership at special meeting.

*Use of name "cooperative credit association."*—Prohibited unless organized under act.

### New Hampshire

(Public Laws, 1926, ch. 267, as amended by Acts of 1929, ch. 46)

*Number who may organize.*—Seven or more residents of State.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. Unless there are fewer than 11 members, no director may be a member of either committee and no person may be a member of both committees. Officers to be president, vice president, clerk, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services; but officers may receive such as is authorized by directors, subject to approval of commissioner of banks.

*Investment of funds.*—In any securities approved by commissioner of banks.

*Right to borrow.*—Not restricted, but must be approved by commissioner of banks.

*Meetings.*—Annually, within 30 days after close of fiscal year. Special meetings by order of majority of directors or supervisory committee and by written application of 10 or more voting members.

*Loans.*—Only for purposes that promise to benefit the borrower. To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least two-thirds of the committee.

*Voting.*—Each member one vote, but after association has been in existence a year, no person may vote until he has been a member for more than three months.

*Vote by proxy.*—Prohibited.

*Loans to and indorsements by directors and committee members.*—Loans and indorsements prohibited to members of committees; permitted to directors if authorized by a majority vote of special meeting of membership.

*Interest on loans.*—Not to exceed 6 per cent.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees, plus 10 per cent of net earnings each year until fund equals 20 per cent of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Annual reports.*—To commissioner of banks within 20 days after last business day of June. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Taxation.*—Exempt.

*Voluntary dissolution.*—On recommendation of not less than two-thirds of directors, and two-thirds vote of members entitled to vote, at special meeting.

*Use of name "credit union."*—Prohibited unless organized under act, in which case it must be used.

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## New Jersey

(Acts of 1924, ch. 48, as amended by Acts of 1929, ch. 266; and Acts of 1930, ch. 153)

*Scope and purpose.*—Encouragement of thrift and furnishing of temporary financial assistance.

*Number who may organize.*—Ten or more persons.

*Filing articles of incorporation.*—With commissioner of banking and insurance, and county clerk.

*Limitation on membership.*—Restricted to persons having a common employer, members of a church parish or society organizations of war veterans and those engaged in agricultural pursuits; may also admit an organization doing business within the State.

*Deposits.*—From members only; those received from member organizations may not exceed 25 per cent of the assets.

*Management.*—Not less than 5 nor more than 10 trustees, and credit committee of 3. Officers to be president, secretary, and treasurer, elected by and from trustees (unless by-laws provide otherwise). No trustee or member of credit committee may receive any compensation for his services; but officers may receive such as is fixed by the members.

*Investment of funds.*—Same as for trust funds. May invest not to exceed 25 per cent in bonds and mortgages.

*Right to borrow.*—Restricted to 25 per cent of deposits.

*Meetings.*—Annually. Special meetings on written request of not less than 10 members in good standing.

*Voting.*—Each member one vote.

*Loans.*—For provident and productive purposes only. To individual members only; loans to member organizations prohibited. Loans must be approved by credit committee.

*Maximum amount of loan.*—Unsecured, \$50; secured, \$500.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or adequate collateral is accepted as security. Assignment of deposits accepted as security for loan up to 90 per cent of the deposits.

*Reserve fund.*—Shall consist of 15 per cent of net earnings each year until fund amounts to 25 per cent of deposits.

*Dividends.*—Payable annually, according to by-laws.

*Annual reports.*—To commissioner of banking and insurance, on or before January 31.

*Fee for filing reports.*—One dollar.

*Examination.*—Whenever deemed necessary by commissioner of banking and insurance.

*Examination fee.*—Actual expense of making examination.

*Voluntary dissolution.*—Same as for building and loan associations.

*Use of name "credit union."*—Prohibited unless organized under act, in which case it must be used.

## New York

(Acts of 1914, ch. 369, arts. 450-479, as amended by Acts of 1915, ch. 294; Acts of 1923, ch. 701; Acts of 1929, chs. 323, 324, and 325)

*Number who may organize.*—Seven or more persons residing or employed in State.

*Filing articles of incorporation.*—With superintendent of banks, in duplicate.

*Limitation on membership.*—Restricted to persons with the same employer; members of the same trade, profession, club, union, society, or association; residents of the same town, village or other political subdivision of the State with a population of not more than 10,000; and persons who, in the judgment of the superintendent of banks, have such a community of interest as will insure proper administration.

*Value of share.*—Not to exceed \$25.

*Stock ownership per member.*—Limited to 5 per cent of capital stock outstanding or \$5,000 in value (\$500, if capital stock paid in does not exceed \$10,000).

*Deposits.*—From members only.

*Deposits per member.*—Limited to \$2,000.

**Management.**—Not less than 5 directors and credit and supervisory committee of not less than 3. No person may be a member of both committees. If the credit union is not in a city, the board of directors may, if the by-laws so provide, act as a credit committee. No director shall receive any compensation for his services nor shall any officer (except the one designated as manager) or committee member (except an attendance fee) receive any compensation unless the net earnings (after provision for reserve) were equal to 6 per cent of the capital outstanding and unless the total compensation to officers, committee members, counsel, and employees was less than one-fourth of the gross earnings for the preceding year.

**Right to borrow.**—Restricted to 40 per cent of capital; if capital is \$5,000 or less, may borrow up to \$2,000.

**Liability of individual member.**—Unless by-laws provide otherwise, not liable for debts of association. Shares are exempt from sale on execution to amount of \$600.

**Meetings.**—Annually, in January. Special meetings on order of directors or supervisory committee and at request of 10 members.

**Voting.**—Each member one vote.

**Vote by proxy.**—Prohibited.

**Loans.**—To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute a majority of the committee.

**Maximum amount of loan.**—Unsecured, \$50; secured, an amount equal to borrower's shares and deposits.

**Loans to nonmembers.**—Any officer, director, or committee member who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable to the association for the amount of the loan.

**Loans to and indorsements by directors, officers, and committee members.**—Prohibited unless additional security is given, of assignment of shares or deposits equal to or greater than the loan; in such cases the current rate of interest for loans of like character in the ordinary course of business shall be charged.

**Interest on loans.**—Not to exceed 1 per cent a month, or 5.9 per cent per annum, if deducted in advance.

**Security for loans.**—Indorsed note is accepted as security, but if loan is for an amount less than the member's holdings in shares and deposits, his unindorsed note is sufficient. Mortgage on real estate also accepted, but total mortgage loans made by credit union may not exceed 20 per cent of its capital and deposits.

**Reserve (guaranty) fund.**—Shall consist of all entrance and transfer fees and fines, plus 25 per cent of net earnings each year. Fund must never exceed amount of capital, plus 50 per cent of other liabilities. At least one-half of funds must be kept invested in securities authorized for savings banks.

**Dividends.**—Payable annually, on fully paid shares.

**Annual reports.**—To superintendent of banks, on or before February 1. Failure to report subjects association to fine of \$5 for each day of delinquency.

**Taxation.**—Exempt, as a savings institution.

**Use of name "credit union."**—Prohibited, as misdemeanor, unless organized under act, in which case it must be used.

## North Carolina

(Consolidated Statutes, 1919, ch. 93, Subch. III, secs. 5206-5241, as amended by Acts of 1925, ch. 73, and Acts of 1929, ch. 47)

**Number who may organize.**—Seven or more persons employed or residing in State.

**Filing articles of incorporation.**—With State department of agriculture, and county clerk.

**Filing fee.**—Same as for other corporations.

**Value of share.**—Not to exceed \$25.

**Deposits.**—From both members and nonmembers.

**Management.**—Not less than five directors and credit and supervisory committee of not less than three. If credit union is not in a city, board of directors may act as credit committee, but otherwise no director may be a member of either committee, nor may any person be a member of both committees. No director or committee member may receive any compensation for his services, but officers may receive such as the members may authorize.

*Investment of funds.*—May invest not to exceed 10 per cent of capital and reserve in stock of other savings and loan associations, and not to exceed 25 per cent of capital and reserve in stock of central association.

*Right to borrow.*—Restricted to amount equal to four times the sum of its capital, surplus, and reserve.

*Liability of individual member.*—Limited to amount of his shares.

*Meetings.*—Annually, according to by-laws. Special meetings on order of directors or supervisory committee and on written request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Written proxy allowed in case of sickness or other unavoidable absence.

*Loans.*—To members only. Applications must be in writing and state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to nonmembers.*—Any officer or committee member who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable for the amount of the loan.

*Loans to members of credit committee.*—In case of a loan to a member of the credit committee, a substitute must be appointed to act for him on the committee while the case is under consideration.

*Interest on loans.*—Not to exceed legal rate.

*Security for loans.*—Indorsed note is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees and fines, plus 25 per cent of net earnings each year. The reserve shall never exceed the capital plus 50 per cent of the other liabilities.

*Dividends.*—Payable annually, at rate not to exceed 6 per cent, on all fully paid shares outstanding.

*Annual reports.*—To State department of agriculture, in January. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by State Department of Agriculture.

*Taxation.*—Exempt, as a savings institution.

*Voluntary dissolution.*—By three-fourths vote of membership in special meeting, certified to State Department of Agriculture, but must remain in existence until affairs are wound up.

*Use of name "savings and loan association."*—Prohibited, as misdemeanor, unless organized under act, in which case it must be used.

## Oregon

(Acts of 1929, ch. 396)

*Number who may organize.*—Seven or more persons employed or residing in State.

*Filing articles of incorporation.*—In duplicate, with superintendent of banks.

*Filing fee.*—\$5.

*Value of share.*—Not to exceed \$25.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors and credit and supervisory committee of not less than 3. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No person may be a member of both committees. If the credit union is not in a city, the board of directors may, if the by-laws so provide, act as a credit committee. No director or committee member may receive any compensation for his services.

*Right to borrow.*—Limited to 40 per cent of capital; if capital is less than \$5,000, may borrow up to \$2,000.

*Liability of individual member.*—Unless by-laws otherwise provide, not liable for debts of association. Shares are exempt from sale on execution up to \$600.

*Meetings.*—Annually, during January. Special meetings on order of directors or supervisory committee, or on request of 10 members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited.

*Loans.*—To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50; secured, not more than 10 per cent of amount of paid-in capital of association.

*Loans to nonmembers.*—Any officer, director, or committee member who knowingly permits a loan to a nonmember is liable for the amount of the loan.

*Loans to and indorsements by officers and committee members.*—Prohibited unless authorized by majority vote at regular meeting, with advance notice of matter to be voted on.

*Interest on loans.*—Not to exceed 1 per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note is accepted as security.

*Reserve (guaranty) fund.*—Shall consist of all entrance and transfer fees and fines, plus 25 per cent of net earnings each year. Fund shall never exceed capital plus 50 per cent of other liabilities.

*Dividends.*—Payable annually, on fully paid shares outstanding.

*Annual reports.*—To superintendent of banks, on or before February 1. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by superintendent of banks.

*Examination fee.*—According to assets of credit union, as follows: Assets \$5,000 or less, fee \$10; assets \$5,000 to \$15,000, fee \$15; assets \$15,000 to \$25,000, fee \$25; assets over \$25,000, actual cost of examination.

*Taxation.*—Same as for mutual savings and loan associations.

*Voluntary dissolution.*—By four-fifths vote of membership in special meeting, certified to superintendent of banks, but must remain in existence 5 years, if necessary, to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act, in which case it must be used.

## Rhode Island

(General Laws, 1923, secs. 3925-3950)

*Scope and purpose.*—Promotion of thrift among members.

*Number who may organize.*—Five or more citizens of State.

*Value of share.*—According to by-laws.

*Deposits.*—From members only.

*Management.*—Directors, the number of whom must be some multiple of 3, credit committee of not less than 3, and supervisory committee of 3. No director may be a member of either committee, nor may any person be a member of both committees. Officers to be president, vice president, clerk, and treasurer, elected by and from directors. Directors may also elect a finance committee and executive committee, delegating to them such powers as they deem expedient. No director or member of supervisory committee may receive any compensation for his services, but officers and members of credit committee may receive such as directors authorize.

*Investment of funds.*—Not more than one-third of the capital, deposits, and reserve may be in investments legal for savings banks.

*Meetings.*—Annually, as by-laws provide. Special meetings on order of directors or supervisory committee and on written request of 10 members.

*Voting.*—Each member one vote, but after association has been in existence one year no one shall vote until he has been a member for more than 3 months.

*Vote by proxy.*—Prohibited.

*Loans.*—For purposes which promise to benefit the borrower. To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present.

*Loans to and indorsements by committee members.*—Prohibited.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually on fully paid shares outstanding.

*Annual reports.*—To bank commissioner, within 20 days after last business day in December. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by bank commissioner.

*Taxation.*—Capital stock, corporate franchises, and personal property exempt. Must pay tax on real estate and tax of 40 cents for every \$100 of deposits.

*Voluntary dissolution.*—On unanimous recommendation of board of directors and vote of special meeting at which at least two-thirds of membership are present, provided not more than 10 persons object.

*Use of name "credit union."*—Prohibited unless organized under act.

## South Carolina

(Civil Code, 1922, secs. 4003-4027)

*Scope and purpose.*—Promotion of thrift among members and furnishing of moderate loans of money for short periods and at reasonable rates of interest.

*Number who may organize.*—Ten or more citizens of State.

*Limitation on membership.*—Restricted to natural persons.

*Value of share.*—\$5, payable in cash.

*Stock ownership per member.*—Not more than 200 shares.

*Deposits.*—From both members and nonmembers.

*Management.*—Not less than 5 directors, credit committee of not less than 3, supervision committee of 3, and special committee of 2. No director may be a member of any committee, nor may any person be a member of two committees. Officers to be president, vice president, clerk, and treasurer, elected by and from directors. No director or member of a committee may receive any compensation for his services, but officers may receive such as the directors authorize.

*Meetings.*—Annually, as by-laws provide. Special meetings on order of directors or of supervision committee and on request of 10 members.

*Voting.*—Each member one vote, but no one shall be entitled to vote until he has been a member for more than three months.

*Vote by proxy.*—Prohibited.

*Loans.*—For provident and productive purposes only, such as promise to benefit the borrower. To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present and by both members of special committee.

*Loans to and indorsements by directors and committee members.*—Prohibited unless authorized by two-thirds vote of membership.

*Interest on loans.*—Not to exceed 7 per cent.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on recommendation of board of directors, but rate shall not exceed 1 per cent above the average rate received from borrowers during the year.

*Annual reports.*—To State bank examiner, within 7 days after last business day in December. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Voluntary dissolution.*—On unanimous recommendation of board of directors and vote of special meeting at which at least two-thirds of membership are present, provided not more than 10 persons object.

*Use of name "cooperative credit union."*—Prohibited unless organized under act.

## Tennessee

(Acts of 1923, ch. 68)

*Number who may organize.*—Seven or more residents of State.

*Filing articles of incorporation.*—With superintendent of banks, and county clerk.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From both members and nonmembers.

*Management.*—Not less than 5 directors and credit and supervisory committees of not less than 3 each. Unless there are fewer than 11 members, no director may be a member of either committee. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or committee member may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 10 per cent of capital and reserve in stock of other credit unions.

*Right to borrow.*—Restricted to amount equal to 50 per cent of sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and on request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee. Preference to be given to the smaller loans if funds are insufficient to cover all those approved.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to and indorsements by directors and committee members.*—Prohibited.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of the net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—Semiannually, to superintendent of banks. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by superintendent of banks.

*Taxation.*—Same as savings banks.

*Voluntary dissolution.*—On four-fifths vote of membership in special meeting, certified to superintendent of banks, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act.

## Texas

(Revised Civil Statutes, 1925, arts. 2461-2484, as amended by Acts of 1929 ch. 17 and Acts of second special session, 1929, ch. 85)

*Scope and purpose.*—Promotion of thrift among members and creation of a source of credit for them at legitimate rates of interest.

*Number who may organize.*—Ten or more citizens of State.

*Filing articles of incorporation.*—With State banking board.

*Filing fee.*—\$10.

*Value of share.*—Not to exceed \$5.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. No director may be a member of the supervisory committee, nor may any person be a member of both committees. Officers to be president, vice president, clerk, and treasurer, elected by and from directors. No director or committee member may receive any compensation for his services.

*Meetings.*—Annually, as by-laws provide. Special meetings by order of directors or supervisory committee and on written request of 10 members.

*Voting.*—Each member one vote, but no one shall be entitled to vote until he has been a member for more than three months.

*Vote by proxy.*—Prohibited.

*Loans.*—For productive or provident purposes or urgent needs only. To members only. Applications must be in writing and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present. No loan may be for a longer period than 12 months, nor may it be renewed for a sum as large as the original amount.

*Maximum amount of loan.*—\$1,000.

*Loans to and indorsements by committee members.*—Prohibited unless authorized by two-thirds vote of membership.

*Interest on loans.*—Not to exceed 10 per cent.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees, plus 20 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Annual reports.*—To State banking commissioner, within two days after last business day of December (with fee of \$5). Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—By State banking commissioner.

*Examination fee.*—Actual expense incurred by examiner.

*Voluntary dissolution.*—On unanimous recommendation of directors and vote of special meeting at which two-thirds of membership are present, provided not more than 10 members object.

*Use of name "rural credit union."*—Prohibited unless organized under act.

## Utah

(Compiled Laws, 1917, secs. 1060-1082, as amended by Acts of 1929, ch. 40)

*Scope and purpose.*—Promotion of thrift among members, the furnishing of funds for loans for productive purposes and of a remedial character, and the conduct of a general banking business.

*Number who may organize.*—Ten or more persons of the State, who are members of the same integral group, club, institution, association, or corporation, in the same employment, or engaged in agriculture or dairying.

*Filing articles of incorporation.*—With secretary of state, and county clerk.

*Filing fee.*—\$5 to secretary of state, \$5 to county clerk.

*Value of share.*—\$5, payable in cash.

*Deposits.*—From members only.

*Management.*—Not less than 5 directors, credit committee of not less than 3, and supervisory committee of 3. No director may be a member of either committee unless total membership is so small as to require it, nor may any person be a member of both committees. Officers to be president, vice president, clerk, and treasurer, elected by and from directors. No director or committee member may receive any compensation for his services.

*Liability of individual member.*—Only to amount of shares subscribed by him.

*Meetings.*—Annually, as by-laws provide. Special meetings as by-laws provide.

*Loans.*—For productive purposes only, such as promise to benefit the borrower. To members only. Applications must be in writing and must state purpose for which desired and indorsements or security offered. Loans must be unanimously approved by members of credit committee present, who must constitute a quorum of the committee.

*Maximum amount of loan.*—\$3,000; but not more than \$500 unless secured by real estate valued at twice amount of loan or by approved securities.

*Loans to and indorsements by members of credit committee.*—Loans must be approved by supervisory committee. Indorsements prohibited after third annual meeting of association.

*Interest on loans.*—Not to exceed 12 per cent.

*Reserve (guaranty) fund.*—Shall consist of all entrance fees, plus 10 per cent of net earnings each year until fund equals amount of paid-in capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Annual reports.*—To bank commissioner, within 20 days after last business day of December. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—By bank commissioner.

*Examination fee.*—\$1.25 per hour actually spent in examination.

*Voluntary dissolution.*—On unanimous recommendation of board of directors and vote of special meeting at which two-thirds of membership are present, provided not more than 10 members object.

*Use of name "cooperative bank."*—Prohibited unless organized under act. This name or that of "credit union" may be used by associations organized under act.

## Virginia

(Acts of 1922, ch. 449, p. 775 as amended by Acts of 1930, ch. 16)

*Number who may organize.*—Eight or more residents of State.

*Filing articles of incorporation and amendments.*—With banking department of State corporation commission.

*Value of share.*—\$5, payable in money.

*Deposits.*—From both members and nonmembers.

*Management.*—Not less than five directors, and credit and supervisory committees of not less than three each. If membership so decides, directors may act as credit committee; otherwise no director may be a member of either committee and no person may be a member of both committees. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or member of a committee may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 10 per cent of capital stock and reserve in stock of other credit unions.

*Right to borrow and rediscount.*—Restricted to amount equal to sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and on written request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident purposes only. To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to nonmembers.*—Any officer or member of a committee who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable for the amount of the loan.

*Loans to and indorsements by members of credit committee.*—Permitted, but supervisory committee must appoint a substitute for applicant to act in his place on the committee while his case is under consideration.

*Interest on loans.*—Not to exceed 1½ per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net earnings each year until fund equals amount of capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—To department of banking of State Corporation Commission. Failure to report subjects association to fine of not more than \$10 for each day of delinquency.

*Examination.*—Annually, by chief bank examiner.

*Examination fee.*—Not to exceed \$15 if assets are \$1,000 or less; otherwise \$25 per \$100,000 of assets.

*Taxation.*—Exempt from all franchise taxes, but subject to license tax as follows: Paid-in capital not exceeding \$15,000, tax of \$5; capital of from \$15,000 to \$20,000, tax of \$10; capital of from \$20,000 to \$50,000, tax of \$15; capital of from \$50,000 to \$100,000, tax of \$25; for each \$1,000 of capital in excess of \$100,000, \$2 additional tax.

*Use of name "credit union."*—Prohibited, as misdemeanor, and punishable by fine of not less than \$10 nor more than \$100 a day. If organized under act, name must be used.

## West Virginia

(Acts of 1925, ch. 36)

*Number who may organize.*—Eight or more residents of State.

*Filing articles of incorporation.*—With county clerk and secretary of state.

*Filing fees.*—Same as for other corporations.

*Limitation on membership.*—Restricted to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. May also admit to membership an organization composed for the most part of the same general group as the credit-union membership.

*Value of share.*—Not to exceed \$10.

*Deposits.*—From both members and nonmembers.

*Management.*—Not less than five directors and credit and supervisory committee of not less than three each. If membership so authorizes, board of directors may act as credit committee; but otherwise no director may be a member of a committee and no person may be a member of both committees. Officers to be president, vice president, secretary, and treasurer (last two may be combined), elected by and from directors. No director or member of a committee may receive any compensation for his services.

*Investment of funds.*—Same as for savings banks. May invest not to exceed 10 per cent of capital and reserve in paid-in shares of other credit unions.

*Right to borrow and rediscount.*—Limited, in aggregate, to sum of capital, surplus, and reserve.

*Meetings.*—Annually, in January. Special meetings on order of directors or supervisory committee and on written request of 10 per cent of members.

*Voting.*—Each member one vote.

*Vote by proxy.*—Prohibited, but an organization which is a member may cast its vote through a delegate.

*Loans.*—For provident or productive purposes only. To members only. Applications must be in writing, on form provided, and must state purpose for which desired and security offered. Loans must be unanimously approved by members of credit committee present, who must constitute at least a majority of the committee.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to nonmembers.*—Any officer or member of a committee who knowingly permits a loan to a nonmember is guilty of a misdemeanor and is liable for the amount of the loan.

*Loans to and indorsements by members of credit committee.*—Permitted, but supervisory committee must appoint a substitute for applicant to act in his place on the committee while his case is under consideration.

*Interest on loans.*—Not to exceed  $1\frac{1}{4}$  per cent a month, computed on unpaid balances.

*Security for loans.*—Indorsed note or assignment of shares is accepted as security.

*Reserve fund.*—Shall consist of all entrance and transfer fees, plus 20 per cent of net earnings each year until fund equals amount of capital.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Reports.*—Semiannually, to commissioner of banking, on or before January 1 and July 1. Failure to report subjects association to fine of \$5 for each day of delinquency.

*Examination.*—Annually, by commissioner of banking, but if association has assets of less than \$25,000 he may accept audit of practicing public accountant.

*Examination fee.*—\$15 for associations with assets of less than \$25,000; \$25 for those of more than \$25,000.

*Voluntary dissolution.*—On four-fifths vote of membership, certified to secretary of state, but must remain in existence for three years to wind up affairs.

*Use of name "credit union."*—Prohibited, as misdemeanor, on fine of not less than \$10 nor more than \$100 a day.

*Violations of act.*—Punishable by fine of not less than \$100 nor more than \$500, or imprisonment of not less than 1 month nor more than 6 months.

## Wisconsin

(Statutes, 1923, ch. 186, secs. 186.01-186.18 as amended by Acts of 1929, ch. 323)

*Scope and purpose.*—Promotion of thrift among members and lending of funds for provident purposes.

*Number who may organize.*—Seven or more citizens of State.

*Filing articles of incorporation and amendments.*—With State commissioner of banking, and county register of deeds.

*Filing fee.*—\$5 to State commissioner of banking.

*Management.*—Not less than five directors and credit committee of not less than three. No director may be a member of the credit committee. Officers to be president, vice president, secretary, and treasurer, elected by and from directors. No director or member of the credit committee may receive any compensation for his services; officers may receive such as directors may authorize.

*Right to borrow.*—Restricted to 25 per cent of assets, and for period not to exceed 90 days unless approved by State commissioner of banking.

*Meetings.*—Annually, in January. Special meetings on order of directors and on written request of 10 per cent of members.

*Voting.*—Each member one vote, but after association has been in existence one year no person shall be entitled to vote until he has been a member for more than three months.

*Vote by proxy.*—Prohibited.

*Loans.*—For provident purposes only, such as promise to benefit the borrower. To members only. Applications must be in writing and must state purpose for which desired and security, if any, offered. Loans must be unanimously approved by members of credit committee present.

*Maximum amount of loan.*—Unsecured, \$50.

*Loans to and indorsements by members of credit committee.*—Prohibited.

*Interest on loans.*—One per cent a month on unpaid balances is not "usurious."

*Reserve (guaranty) fund.*—Shall consist of appropriations of 20 per cent of net earnings each year until fund equals 10 per cent of total assets.

*Dividends.*—Payable annually, on all fully paid shares outstanding.

*Annual reports.*—To State commissioner of banking, on or before February 1. Failure to report subjects association to fine of \$10 for each day of delinquency.

*Examination.*—Annually, by State commissioner of banking.

*Examination fee.*—Same as other corporations, but during its first year of operation association shall pay only actual cost of examination.

*Voluntary dissolution.*—On unanimous recommendation of board of directors and vote of special meeting at which two-thirds of membership are present, provided not more than 10 members object.

*Use of name "credit union."*—Prohibited, as misdemeanor, unless organized under act, and punishable by fine of not less than \$300 nor more than \$1,000 or imprisonment for not less than 60 days nor more than 1 year, or both.

## Chapter IX.—Legislation Relating to Workers' Productive Associations

**T**HERE is no legislation covering only the organization of workers' productive societies, but the consumers' cooperative laws of certain States are so framed as to permit the formation of cooperative workshops.<sup>1</sup>

Thus, workers' productive associations can be formed under the laws of those States which authorize the carrying on by cooperative societies of any lawful business,<sup>2</sup> those which authorize any manufacturing or mechanical business,<sup>3</sup> and those authorizing industrial enterprises.<sup>4</sup> The Illinois law permits the operation of any general mercantile, manufacturing, or producing business and that of Montana any branch of industry. The New York law gives cooperative societies the right to carry on any general producing, manufacturing, warehousing, merchandising, or processing and cleansing business in articles of common use.

The laws of six of these States<sup>5</sup> go farther and include in the definition of cooperative association given in the law not only those societies which distribute their earnings on the basis of patronage but also those which distribute them on the basis of labor performed for the association. The New York (stock) law includes as a recognized cooperative organization one conducted "primarily for the mutual help and benefit of its shareholders, employees, and patrons, without profit, which pays not to exceed 6 per cent on capital and distributes the remainder on the basis of patronage or of labor performed for the society."

The general cooperative laws, however, are usually drafted from the viewpoint of the consumers' societies and fail to cover and set up standards for the peculiar needs of the cooperate workshops—the general organization of the association, how earnings shall be divided among the workers, how the management shall be chosen, etc. It is possible that to this lack may be attributed some of the failure of the workers' productive associations to attain a position of importance in the cooperative movement of the United States.

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<sup>1</sup> For a synopsis of the individual State laws, see Chapter VII.

<sup>2</sup> California, Colorado, Florida, Indiana, Michigan, Nebraska, Nevada, Oregon, and Vermont.

<sup>3</sup> Arkansas, Connecticut, Iowa, Kansas, Kentucky, Minnesota, New Jersey, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Virginia, Washington (stock), Wisconsin, and Wyoming.

<sup>4</sup> Alabama, and Alaska.

<sup>5</sup> Colorado, Florida, Indiana, Michigan, Nebraska, and North Dakota.

## Appendix A.—Essentials of Cooperative Housing<sup>1</sup>

I. There should be no profit to the members individually or collectively from the operation, leasing, or sale of any of the association's property. This means that—

(a) The interest on the members' investments is to be at not more than the current legal rate.

(b) If there is any distribution of net savings or earnings (after interest charges, which are to be considered as operating expenses), it is to be made as patronage rebates (in the form of either cash or reduction of rents).

(c) There should be no profits from renting to nonmembers.

(1) As a general rule, all apartments should be occupied in person by tenant-members. Furthermore, they should be used only by such members and their immediate families; they should not be used in part as rooming houses for revenue.

(2) Where subleasing by a tenant-member is necessary, the rental charged to the sublessee should be based on actual costs of operation to the member (with due and conservative allowance for interest on his investment, cost of decoration, depreciation of furniture, etc.). There should be a definite time limit set to the duration of such subletting.

(3) Where the subleasing of vacant apartments to nonmembers is temporarily and of necessity undertaken by the association as a whole, the rentals charged are to be based on actual cost of operations, not at an exorbitant market rate. The "cost of operation" in this instance, may mean actual upkeep plus a reasonable safety margin to cover possible losses to the association from vacancies or other unforeseen emergencies. If a profit develops from such a safety margin it should not be used to reduce members' rents, but either for cooperative education and expansion or as patronage rebates to the nonmembers in the form of credits to assist them in financing the purchase of stock which shall make them full members.

(4) A house shall be considered cooperative when the majority of its occupants have become members, and when, under strictly cooperative rules, it shows that its whole purpose and policy is consciously and definitely moving toward full cooperative development.

II. There should be complete consumer control. Voting should be based on membership interest, not on investment interest.

III. Resident ownership should be a fundamental policy—for social reasons:

(a) So that there shall not be several different classes of tenants in buildings.

(b) To insure that the consumers shall be interested and effective in exercising control.

IV. Provision should be made for the permanence of the cooperative features of the association.

### ESSENTIAL BUSINESS PRINCIPLES

I. Tenant-members should elect a board of directors or executive committee which, in turn, should appoint a definitely responsible executive.

II. Tenant-members should make a regular and careful check-up both of the execution of the general policies they have adopted for the association and of the financial soundness of its operations. This means:

(a) Regular audits by the accounting bureau of the Cooperative League or by some certified public accountant; and

(b) Regular reports by the executive in charge both to the board of directors and to the tenant-members.

III. The technical ownership of the property should remain with a cooperative association (or possibly with more than one such association); and the tenant-members should receive leases to their apartments.

IV. Officers and employees intrusted with funds or property of the association should be adequately bonded.

V. Adequate allowances should be made for depreciation on all buildings and equipment.

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<sup>1</sup> Reprinted from *Cooperation*, New York, January, 1930.

VI. The plan of organization and the financial set-up should be such as to give to the tenant-members every possible assurance of the security of their investment and the permanence of their occupancy.

VI. A very conservative attitude should be maintained toward the assets of the association. Increases in land values or increases in current building costs should not be capitalized except under the most extraordinary circumstances. In other words, the value of the property should never be appraised according to the modern theory of reproduction cost.