

THE FARMERS' BANK OF RUSTICO: AN EARLY PEOPLE'S BANK

By JOHN T. CROTEAU

THE Farmers' Bank of Rustico was organized among a group of Acadian farmers, was chartered by the colonial legislature of Prince Edward Island, and operated from 1864 to 1894. It was by far the smallest bank, measured by share capital, ever to operate in Canada, it was the first people's bank in Canada,¹ and it was the precursor of the North American credit union movement through its influence upon the pioneer credit union organizer, Alphonse Desjardins of Quebec. The Farmers' Bank was founded under the leadership of the Reverend George-Antoine Belcourt, one of the great missionaries of the West, who, after a notable career among the Indians, came to the parish of Rustico, Prince Edward Island, and in the decade after 1859 led an economic and social revival among the Acadian people.²

In the 1860's economic conditions were favourable for the incorporation of a new bank on Prince Edward Island. Currency was scarce and credit was expensive.³ On Monday, March 30, 1863, as the *Islander* reported: "Hon. Mr. Walker presented a petition of certain inhabitants of Rustico and vicinity, praying for an act to incorporate a Bank, to be called the Bank of Farmers of Prince Edward Island." (sic)⁴ The act to incorporate the Farmers' Bank of Rustico ran the usual course of legislation and was finally passed on April 21, 1863.⁵

It took more than a year to secure the signature of Queen Victoria — the Royal Assent — to the Act. In November 1863, Lord Newcastle, the Secretary of State for the Colonies, demanded from the Lieutenant Governor additional information about the capital requirements of the Farmers' Bank. Its microscopic size astonished him: the initial capital had been set at £1,200. £1,200 Island currency was equivalent to £800 Sterling, or less than \$3,900. But another provision in the Act permitted an increase of the capital to £21,200. "Their Lordships observe that these singular provisions do not afford a substantial guarantee for

1. C. S. Howard, "Canadian Banks and Bank Notes — A Record", *The Canadian Banker*, Vol. 57, No. 1, Winter 1950, pp. 30 - 66.
2. Reardon, J. M., *George Anthony Belcourt: Pioneer Catholic Missionary of the Northwest, 1803 - 1874*, (St. Paul, Minn.: North Central Pub. Co., 1955)
3. Ross, Victor, *A History of the Canadian Bank of Commerce*, (Toronto: Oxford Univ. Press, 1920) pp. 127-129; also pp. 423 - 429.
4. *The Islander*, Charlottetown, P.E.I., April 10, 1863.
5. *Journal of the House of Assembly of Prince Edward Island*, (Charlottetown: 1863), pp. 90, 107, 112 - 113, 121, 139, 168, 170, 185, 192; *Journal of the Legislative Council of Prince Edward Island*, (Charlottetown: 1863) pp. 109, 116, 117, 118, 122, 131; *Debates and Proceedings of the Honorable the Legislative Council of Prince Edward Island, for the Session of 1863*, (Charlottetown: 1863) pp. 33, 53, 59 - 61.

the responsibility of the Promoters of the scheme," the letter charged, "and before the Act is submitted for Her Majesty's confirmation they wish to be furnished with a report on the subject, . . ."⁶

The Governor, on January 30, 1864, sent to Lord Newcastle a report from the Attorney General. This merely reported the representations of the Rustico people:

" . . . They respectfully conceive that the guarantee for the responsibility of the promoters of the scheme should not be tested either by the original smallness of the proposed Capital or the amount of the license to increase it; but, as in other Banking Acts, by the requirements of the Act itself . . ."

The rules of the statute, in their opinion, were as stringent in regard to shareholders liability as in two other bank incorporations passed by the Island legislature.⁷ These arguments prevailed and the Lieutenant Governor received a communication, dated April 13, 1864, telling of Her Majesty's assent on April 7, 1864.⁸

The statute under which the Farmers' Bank of Rustico operated was a comprehensive piece of legislation.⁹ But apart from the low par value of its shares (£1 par value) and its small capitalization, most of the provisions of the act were about the same as those of other commercial banks being chartered on the Island at that time.

With Jerome Doiron, a farmer, as first president and Marin Blanchard, a school teacher, as cashier the bank began operations. It was open only one afternoon a week when the directors met to consider applications for loans. It worked to reduce the rate of interest to borrowers.¹⁰ Its notes were accepted generally: an agent from Rustico came to Charlottetown, the capital, once or twice weekly to redeem and to exchange bank notes.¹¹

In the early 1870's rumors were being spread about, casting doubt as to the soundness of the Bank. That these rumors were serious can be seen from a letter which Father Belcourt wrote in November, 1873, to *Le Moniteur Acadien*, a newspaper with a wide circulation among the Acadian people, published in Shediac,

6. Correspondence between the Duke of Newcastle, Secretary of State and Lieutenant Governor Dundas, *Journal of the Legislative Council of Prince Edward Island*, 27 Victoria, 2d Session of the 22d General Assembly, (Charlottetown: 1864) Appendix No. 2, pp. 24 - 27.

7. *Ibid.*

8. *Journal of the House of Assembly of Prince Edward Island*, (Charlottetown: 1864) p. 140 and Appendix X. The confirmation was published in the *Royal Gazette*, May 4, 1864.

9. *The Private and Local Acts of the General Assembly of Prince Edward Island*, (Charlottetown: 1868) Vol. II, 26th Victoria, 1863, Chapt. XVI, pp. 28 - 41.

10. Ross, *op cit.*, Vol. I, p. 151. Ross says that the Farmers' Bank reduced the rate of interest to 7 or 8 per cent.

11. *The Herald*, Charlottetown, P.E.I., May 16, 1866.

New Brunswick.¹² In this letter Father Belcourt stated:

"Today I want to reassure the public about the condition of that institution which I regard as of vital importance for the farmer. I can say with satisfaction that since I have examined all of the books, accounts, arrears, doubtful debts, etc., I know that the bank is perfectly safe and that it is in a position to honour all of its obligations. It is in so sound a condition that should the directors decide to liquidate, all of the shareholders would receive intact their share capital. True, there are some probable losses; but these will only reduce somewhat the reserves, with the result that the dividend rate might be lowered. Dividends have been high in the past because all of the capital has been in circulation; and since the demand for loans has been greater than the capital, it cannot remain idle.

Father Belcourt then continued in this letter to expound his views on people's banks — or *Banques foncières* as he called them:

"May I be permitted to remark to the general public and to the commercial banks that a people's bank, since it is of such vital concern to the prosperity of agriculture, deserves every consideration from the commercial bank which associates with it in business. The farmer is the man who really creates wealth: he is the nourishing father of the body politic; from him the baker gets his flour, the weaver his yarn, the shoemaker his leather and the butcher his beef. And of all of the members of society the farmer is the one who bears the heaviest burden; thus he needs an income which will sustain him; but more than that, he needs the love, the help and the sympathy of all men of good will. Take his bank from the farmer and you will be throwing him into the rapacious clutches of the usurer, that social bloodsucker who holds in misery that interesting class of people, the farmers. There is only one type of bank which can lend small sums as well as large amounts at moderate rates of interest, and which can come to the farmer's aid and help him to acquire good land. Let us help the efforts of these strong, young arms which need only the assistance of capital to draw out the latent riches which their spirited vitality can extract from the soil.

12. *Le Moniteur Acadien*, Shediac, New Brunswick, Nov. 13, 1873. (Translation mine, J.T.C.).

After discussing the techniques of people's banking, Father Belcourt concluded his letter by assuring the public of the soundness of the idea of people's banks and he strongly advocated the organization of additional people's banks in other localities, "où les memes besoins se font sentir,"¹³

At the very time when Father Belcourt was writing this letter the Bank of Rustico was doomed. Prince Edward Island had entered the Canadian Confederation the previous July and by this action the provincial government had lost control over banks and banking; the British North America Act gave exclusive control over banking to the federal government.¹⁴ By the Bank Act of 1871 Canada had made a definite decision to do away with small, local branchless banks and to adopt a policy of nation-wide branch banking. Small banks all over Canada could do little else but sell out to their giant competitors. The federal government, however, was not to find it easy to put the Farmers' Bank out of business; for 20 years more it survived.

An examination of the financial operations of the Farmers' Bank shows a record of high dividends: after paying 12 per cent in 1866 the annual dividend rate dropped to 10 per cent from 1867 to 1875; records are lacking for the next ten years, but an 8 per cent dividend was paid in 1885 and thereafter to 1891 the rate was 6 per cent.¹⁵ The shareholders, quite apart from the service which they might have received from the fact of their being owners of the business, had in their stock a profitable investment.

Table 1 contains balance sheets of the Farmers' Bank from 1866 to 1891, the last year that a report was filed with the Department of Finance. The balance sheet for April 3, 1866, shows the condition of the Bank after the first full year of operation. Growth was fast and the Bank had exceeded its legal debt twice — twice the amount of paid-in capital — with bills in circulation more than three times the amount of paid-in capital. This was rectified the following year; additional capital was secured and debts were held just below the legal limit. In the years to follow this legal limit was never exceeded. The vigorous growth from 1866 to 1871 can also be seen in the loans of the Bank; these rose from \$12,068 in 1866 to \$23,555 in 1871. In

13. *Ibid.* This exposition of the ideology of people's banking seems to establish the Farmers' Bank of Rustico as the first people's bank in Canada. Cf. C. S. Howard, *op. cit.*

14. *The British North America Act, 1867*, 30 and 31 Victoria, Chapt. III, Sect. 91, No. 15.

15. Such financial records as may be reconstructed have been taken from the reports which by Section 33 of the Act were required to be submitted to the Colonial Secretary. These were statements sworn to before a Justice of the Peace. Appendices to the *Journal of the House of Assembly* contain reports of the Farmers' Bank of Rustico for the years 1866, 1867, 1871, 1873, 1874 and 1875. After the charter of the Farmers' Bank was extended by a federal act in 1883 the Bank was ordered to make these reports to the Minister of Finance. They appear in the *Canada Gazette* from 1885 to 1891.

Around the turn of the century the actual books and records of the Farmers' Bank of Rustico were destroyed by fire in a house where the records were stored. This was determined by separate interviews with two actual witnesses of the fire.

1873 and in 1875 there was a drop both in bills and in loans; this reflects the condition which led Father Belcourt to investigate the Bank and to report his findings in the newspaper. Management during this period to 1875 was conservative; 13 or 14 per cent of total resources was held in bullion, and in 1873 and 1875 around 20 per cent of resources was held in cash, bullion or other bank notes, placing the Bank in a safe position to redeem its note issue. Reserves, however, were small. The high dividend rate of 10 per cent which prevailed over this period precluded the setting aside of reserves. One of the most serious criticisms against the Farmers' Bank is that the management neglected to build up adequate reserves.

The Bank ceased filing reports with the provincial government after 1875. This marked the end of a period in the Bank's operations. When the financial statements again appear in 1885 the bank had been operating for some time under the policies of different officials; at least since 1880 Adrien Doiron, a school-teacher, had served as cashier and Joseph Gallant, a farmer and storekeeper, was president.¹⁶

The balance sheets for the period 1885-1891 show some changes: on the liabilities side the capital stock decreased \$658, the correspondent relations with the Union Bank had ceased, and the Farmers' Bank was no longer accepting interest-bearing deposits; on the resources side there was a significant decrease in the amount of gold and silver held by the Bank and a slight increase in the holding of other bank notes. Its cash assets, bullion and other bank notes, decreased from 20 per cent of total resources in 1875 to between 10 and 14 per cent in the years from 1885-1891. Both Rustico bank notes in circulation and loans outstanding decreased from 1885 to 1890; bills in circulation decreased from \$12,217 in 1885 to \$10,466 in 1890 and loans dropped from \$18,955 in 1885 to \$16,348 in 1890. All during this last six years the Bank continued to pay dividends of 6 per cent. The 1880's were hard times on the Island; possibly interest rates were lower and collections harder. But by keeping more of the Bank's resources at work — this is shown by the decrease in the percentage of cash held — the Bank was able to show a profitable operation.

To say the least, this was not big business. The whole capital of the Bank of Rustico would hardly have served to stock the tellers' cages in a city office of a large bank. One can understand how the Farmers' Bank of Rustico came to escape the at-

16. *Chappelle's Prince Edward Island Almanac... for 1880* (Charlottetown: Theo. L. Chappelle, Diamond Bookstore).

tention of writers on Canadian banking history. It was a small operation but it was managed with frugality and devotion. The Bank advertised that it was open every Wednesday afternoon.¹⁷ Old men living today recall the weekly meetings of the directors of the Bank. They tell of the directors and customers coming to the Bank on horseback. In the later years of the Bank's existence the Bank served not only the Acadian community but also the English-speaking residents. There were English-speaking directors and stockholders; it was a community bank. The Acadians of other parishes were served also. This was done by appointing agents in the other two Acadian centres. The minimum sized loan, it was reported in interviews, was \$35. So while the Bank was small it fitted into the needs of small farmers; and even to this day those residents of Rustico who remember the Farmers' Bank speak approvingly of the work that it did.¹⁸

The original charter of the Farmers' Bank was to expire on June 1, 1883. In 1882 the Farmers' Bank applied to the Federal Parliament for a renewal of its charter but action was delayed until 1883. Behind-the-scenes pressure was working against the Farmers' Bank.¹⁹ Finally on February 22, 1883, the Act to continue the incorporation of the Farmers' Bank was introduced in the House of Commons. On April 9 the bill passed the House.²⁰

In the Senate it met with delays. Introduced on February 15, it came up for a first reading on April 12, but a second reading was postponed on April 16.²¹ On April 18 in the Senate debate on the second reading, the Honourable Mr. Haythorne spoke of "the extreme jealousy displayed during the past two or three days relative to banking bills," and deplored that it had been necessary even to discuss this act. However, he reviewed in a sympathetic way the history of the Farmers' Bank, spoke of its small size and then explained the provisions of the Act. The first clause extended the life of the Bank's charter for 9 years, until July 1, 1891. The second clause required that the returns previously made to the provincial authorities would henceforth be made to the Minister of Finance. The third clause, the principal one on the Bill, required the Bank to reduce its note issue: 12½ per cent of the notes in excess of its capital stock were to be retired each year, so that in 1891 the note issue was not to exceed the paid-up capital of the Bank. The charter was to expire on

17. *Ibid.*

18. The material in this paragraph comes from the oral tradition and was gathered in the summer of 1954 in a number of interviews with old residents of Prince Edward Island.

19. *Debates of the Senate*, (Ottawa: 1883) p. 271.

20. *Debates of the House of Commons*, (Ottawa: 1883) pp. 67, 77 and 501.

21. *Journals of the Senate of Canada*, (Ottawa: 1883) Vol. XVII, pp. 39, 48, 143, 150.

July 1, 1891. The Bill passed the Senate on April 24, was agreed to by the House on April 30 and received Royal Assent on May 25, 1883.²²

Some light on the attitude of the chartered banks toward the Farmers' Bank may be found in the remarks of two Prince Edward Island members made in 1886 in a House of Commons debate of a bill by Mr. Orton intended to establish farmers' banks. (Orton's bill is outside the scope of this study). Mr. Hackett, from the District of Prince, was in favour of farmers' banks and in the course of his remarks he said this about the Rustico Bank:

"I know also of my own experience, that the establishment of small banks is a matter of great importance to the farming interests of the country. Some twenty years ago a pious Roman Catholic missionary, the Rev. Father Bellecourt, (sic) who was stationed in one of the parishes of Prince Edward Island, seeing that the people in that locality were enduring great hardships by being obliged to go to the money lenders to raise money to meet small demands, established a small bank called the Farmers' Bank of Rustico. . . . That bank is altogether composed of farmers; the directors are all farmers; the manager is a farmer, they have been doing business for twenty years, opposed by all the other banks of the country, who have been endeavoring to kill it — endeavoring to prevent its notes from being used, and from doing business generally. But, notwithstanding that fact, that bank was conducted on sound principles; it went on for twenty years, it has done a very successful business, and it is much regretted there that it is obliged to wind up its affairs."²³

Mr. Davies, the member from Queens, agreed with part of Mr. Hackett's statement, but challenged the allegation that the other banks were unfriendly to the Rustico Bank:

"What the hon. gentleman says is perfectly true respecting the formation of that bank, and the fact that it has done a great deal of benefit in the part of the country where it carried on its business. . . . As to the statement of my hon. friend that the other banks looked upon it with suspicion and endeavored to put it down, I may say that I have been a director of one of the banks for the last ten or twelve years, and that, on the con-

22. *Journals of the Senate, op cit.*, pp. 158, 175, 176, 196 and 295; *Acts of the Parliament of the Dominion of Canada*, (Ottawa: 1883) Vol. 2 (Local and Private Acts) pp. 14 - 15, Chapt. 49.

23. *Debates of the House of Commons*, (Ottawa: 1886) Vol. XXI, p. 584.

trary, the other banks were glad to see it flourishing, and would be glad indeed to see its charter extended, knowing that it was doing a great deal of benefit in the locality in which it is situated.

Mr. Hackett replied in rebuttal:

"It is possible my hon. friend is right with regard to the bank of which he is a director, but I know that some five years ago I had a few notes of the Farmers' Bank, and they were refused by one of the leading banks of Charlottetown, and as I believed for the purpose of trying to kill this small bank.

Thus we have two views; both probably contain elements of truth. Where the Island banks were locally owned and directed by men familiar with hard life of the people, the Farmers' Bank was looked upon with sympathy. But the large aggressive banks entering the area could not but be annoyed by the existence of such an insignificant institution. It had no place in the new economy. The new age was one of centralization; the day of the small local bank was over.

But the day of the Rustico Bank was not quite over. The Charter extension was due to expire on July 1, 1891. On May 13, 1891, the following entry of a petition appears in the *Journal of the House*:

"Of Peter McIntyre, Bishop of Charlottetown, and others of Prince Edward Island, praying for the passing of an Act to further continue the Act of Incorporation of the Farmers' Bank of Rustico.²⁴

There was no time to waste. On May 15 the bill to extend the charter was presented and had its first reading; it had a second reading on May 18 and was referred to the Committee on Banking and Commerce. It was reported out of committee on June 22, placed immediately on the order paper, was passed on June 24 and sent to the Senate.²⁵ The bill reached the Senate for a first reading on June 26, the last day of the session before the Dominion Day holiday. Hon. Mr. Abbott frankly admitted the intent of the bill:

"It makes certain provisions. . . the object being to get (the bank) out of existence. This bank has the right to issue notes, and this bill takes away that right gradually, so that the whole of its notes will disappear in time, and then the bank will be transferred or amalgamated with another institution, . . .

24. *Journals of the House of Commons*, (Ottawa: 1891) Vol. XXV, p. 84.

25. *Ibid.*, pp. 110, 111, 126, 229, 245, 246.

TABLE I: FARMERS' BANK OF RUSTICO, PRINCE EDWARD ISLAND, COMPARATIVE BALANCE SHEETS,
SELECTED YEARS 1866 - 1891¹

	1866 ² April 3	1867 ³ July 4	1871 ⁴ April 4	1873 ⁵ April 1	1875 ⁶ April 6	1885 ⁷ Oct. 6	1887 ⁸ Oct. 4	1890 ⁹ Oct. 7	1891 ¹⁰ Oct. 6
LIABILITIES									
Capital Stock	\$ 4,549	\$ 8,202	\$ 8,870	\$ 8,870	\$ 8,834	\$ 8,212	\$ 8,212	\$ 8,212	\$ 8,212
Bills in circulation	14,132	15,682	15,652	13,625	11,760	12,217	11,755	10,466	12,488
Due to Union Bank of P.E.I.	—	284	746	126	1,032	—	—	—	—
Due on dividend	—	—	—	—	—	244	145	95	215
Deposits bearing interest	1,809	659	2,135	2,018	1,820	—	—	—	—
Total liabilities	\$ 20,490	\$ 24,827	\$ 27,403	\$ 24,639	\$ 23,446	\$ 20,673	\$ 20,112	\$ 18,773	\$ 20,915
RESOURCES									
Gold and silver	\$ 8,399	\$ 3,439	\$ 3,823	\$ 3,246	\$ 3,460	\$ 543	\$ 859	\$ 859	\$ 715
Dominion notes and other bank notes	283	472	189	1,659	1,315	1,642	1,743	1,864	1,430
Amount due to the Bank	12,068	21,404	23,555	19,896	18,946	18,955	17,806	16,348	18,984
Total Resources	\$ 20,750	\$ 25,315	\$ 27,567	\$ 24,801	\$ 23,721	\$ 21,140	\$ 20,408	\$ 19,071	\$ 21,129
	20,490	24,827	27,403	24,639	23,446	20,673	20,112	18,773	20,915
Amount in favor of Bank	\$ 260	\$ 488	\$ 164	\$ 162	\$ 275	\$ 467	\$ 296	\$ 298	\$ 214
Percentages of Total Liabilities and Total Resources									
LIABILITIES									
Capital stock	22.2	33.0	32.4	36.0	37.7	39.7	40.8	43.7	39.3
Bills in circulation	69.0	63.2	57.1	55.3	50.2	59.1	58.5	55.8	59.7
Due to Union Bank of P.E.I.	—	1.1	2.7	.5	4.4	—	—	—	—
Due on dividend	—	—	—	—	—	1.2	.7	.5	1.0
Deposits bearing interest	8.8	2.7	7.8	8.2	7.7	—	—	—	—
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
RESOURCES									
Gold and silver	40.5	13.6	13.9	13.1	14.6	2.6	4.3	4.5	3.4
Dominion notes and other bank notes	1.4	1.9	.7	6.7	5.5	7.8	8.5	9.8	6.8
Amount due to bank	58.1	84.5	85.4	80.2	79.9	89.6	87.2	85.7	89.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Amount in favor of Bank as a per cent of Resources	1.25	1.92	.59	.65	1.15	2.20	1.44	1.56	1.01

1. The balance sheets have been rearranged to correspond with the form used in the *Canada Gazette* from 1885 - 1891. Totals have been rounded off to the nearest cents. The years 1866, 1867 and 1871 have been converted from pounds to dollars at a conversion rate of \$3.24444. This is approximately the same as the rate of \$3.24 4/9 prescribed by the 1871 Decimal Currency Act, 34 Vict., Cap. 5, Sect. VI. With £100 Sterling equal to £150 Island currency the above is the conversion rate to the American gold dollar. For the exchange rates of the Maritime Province currencies and a copy of the Decimal Currency Act see, Lieut. Governor Robinson, *Report to Accompany the Blue Book of Prince Edward Island, for the Year 1870*, (Charlottetown: Bremner Brothers, Printers, 1871) pp. 51 - 53

2. *Journal of the House of Assembly of Prince Edward Island* (Charlottetown: 1866) Appendix X.
3. *Ibid.*, 1868, Appendix H.
4. *Ibid.*, 1871, Appendix Y.
5. *Ibid.*, 1874, Appendix O.
6. *Ibid.*, 1875, Appendix Y.
7. *The Canada Gazette*, Published by Authority (Ottawa: Oct 31, 1885) Vol. XIX, No. 18, p. 636.
8. *Ibid.*, Oct. 15, 1887, Vol. XXI, No. 16, p. 815.
9. *Ibid.*, Oct. 18, 1890, Vol. XXIV, No. 16, p. 696.
10. *Ibid.*, Oct. 17, 1891, Vol. XXV, No. 16, p. 661.

The bill passed through all stages under suspension of the rules.²⁶

Then came the last hour of glory for the Farmers' Bank of Rustico. It was necessary for the Governor General on that very day to make a special appearance and give his assent to the bill. This was at the last possible moment; immediately after the Governor General signed the bill both Houses adjourned until July 2.²⁷

The terms of the 1891 "Act respecting the Farmers' Bank of Rustico,"²⁸ were so harsh and unrealistic that they rendered effective liquidation almost impossible. The life of the Bank was extended 3 years, until July 1, 1894. Of the notes outstanding, on July 1, 1891, 10 per cent were to be retired the first year, 20 per cent the second year and the remainder the third year. The Bank was authorized to amalgamate with, or to sell its property to any loan company. The purchasing loan company was liable for all of the obligations of the bank. The final section of the Act (Section 6) stated:

"Before any such amalgamation takes effect or goes into force all outstanding notes of the Bank in circulation presented for payment shall be redeemed, and a sum out of the assets of the Bank equal to the amount then outstanding of the notes intended for circulation issued by the Bank and unredeemed shall be deposited with the Minister of Finance and Receiver General; and the sum so paid shall be held by the Minister of Finance and Receiver General, and applied for the purpose of redeeming when presented (within three years after such deposit) such outstanding notes without interest; and any balance not so applied shall, at the end of such period, be paid over to such loan company.

The note reduction requirements of the Act of 1883, giving the Bank 9 years to reduce its outstanding notes to the level of its paid-up capital, had meant an annual reduction of around \$500, or a total reduction of about \$4,000. By October 1890 the gap between capital and outstanding notes was only \$2,000. This is shown in Table 1. From the balance sheet of October 7, 1890, one might judge that the Bank was in a sound position to liquidate. Its total liabilities were notes amounting to \$10,466. To offset this the Bank held \$2,723 in cash, and loans outstanding of \$16,348. Deducting the cash from the outstanding notes, the balance of \$7,743 was less than half the amount of the loans

26. *Debates of the Senate*, (Ottawa: 1891) p. 144.

27. *Journals of the Senate of Canada*, (Ottawa: 1891) Vol. XXV, p. 153.

28. *Acts of the Parliament of the Dominion of Canada*, (Ottawa: 1891) Vol. 2 (Local and Private Acts) pp. 168 - 169, Chapt. 113.

outstanding. In other words, if the loans had been 50 per cent collectable the notes could have been paid off. In all likelihood the borrowers and the shareholders were in large part the same; by offsetting half of the loan payments against capital stock and setting aside the remainder to redeem the outstanding notes, the liquidation could have been conducted without a loss. Furthermore, as most of the note issue had probably by that time been lost, by requiring the note redemption to be completed, within say three years, there might have been a surplus to refund to the shareholders. Under the terms of the Act of 1891 this surplus would have gone to the loan company which bought the Bank. Moreover, the borrowers would be faced with a determined collection policy on the part of the purchasing loan company.

How did the members react? The last meeting of the Bank to be advertised was held on July 2, 1891.²⁹ From the balance sheet of October 6 it seems that instead of curtailing operations they increased loans by slightly over \$2,600. Cash decreased by \$578 and notes increased by \$2,022. Then, as far as can be determined, they did nothing. The Bank just "faded away." No more advertisements appeared in the *Royal Gazette*; More surprising, no Prince Edward Island resident interviewed on this subject seems to know what happened. True, some speak of the "failure" of the Bank, just as an occasional historical reference speaks of the "failure" or the "liquidation" of the Farmers' Bank, but no record seems to exist. And in a community as small as Prince Edward Island, surely some of the older lawyers or other residents would know what had happened, had anything happened.

Another factor entered the picture; the cashier, Adrien Doiron, seems to have suffered a nervous breakdown. One who knew him well recalled clearly that the strain of this time had a deleterious effect on the cashier; he seems to have been mentally depressed.³⁰ With Adrien Doiron in this condition, one can see how the Bank could simply drift along. The Bank charter expired on July 1, 1894. Adrien Doiron died a few days later at the age of 55.³¹

Apart from the service which the Farmers' Bank gave to the people of the area, possibly its greatest significance is that of a precursor of the Desjardins cooperative credit societies. Alphonse Desjardins, the pioneer of the credit union movement, in

29. *Royal Gazette*, (Charlottetown, P.E.I.: June 20 1891) Vol. XVIII, No. 25, p. 105.

30. Interview with Moise Gallant, a retired school teacher and a relative of Adrien Doiron.

31. Information from the records of St. Augustine's Parish, Rustico, P.E.I., Certified by Rev. J. Clarence Pitre.

1892 began work as a Hansard reporter in Ottawa.³² The experience of the Rustico Bank seems to have had some influence on Desjardins.³³ From this example it was evident that the commercial banking structure was unsuited to people's banks. Rustico led Desjardins to appreciate the financial and constitutional difficulties which frustrated a people's banking movement in Canada. Desjardins solved the problem of form and technique; he circumvented the constitutional obstacles. From Desjardins North America received the credit union.

In many ways the Farmers' Bank of Rustico operated in violation of the principles of people's banking, just as its existence defied the banking policies of the government and the commercial banks. Since people's banks are usually small, part-time operations, they have to be united in an organized movement for protection, education and inspiration. Possibly the greatest accomplishment of the Farmers' Bank was that it could operate for 30 years as an isolated unit. Peoples' banks also need some central disciplinary authority, to audit and to correct abuses which come in. Again, the Farmers' Bank was fortunate in having honest and devoted officials. Banking law cannot effect good management; but a law which specifies the setting aside of adequate reserves and which outlines proper procedures can serve as a guide to management. That the Farmers' Bank could operate without reserves, with only self-imposed restraints, is also unusual and speaks highly of the prudence and the honesty of the Rustico people.

32. Cyrille Vaillancourt and Albert Faucher, *Alphonse Desjardins, pionnier de la cooperation d' epargne et de credit en Amerique*, (Levis: Le Quotidien, Ltee, 1950) p. 26.

33. *Ibid.*, p. 27; Also C. Vaillancourt, "Credit Unions in Quebec," *The Bridge*, Vol VI, No. 1, April 1941, p. 76.