

To clause 19 ?—From the Treasury point of view, I think that is immaterial. I am speaking now solely from the Treasury point of view.

But you think it might affect the long-term credits ?—That was in connection with the new proposals.

We may consider an extension for a little more than the five years : what would your view be on that ?—Of course, I have always looked upon the long and short advances as quite separate departments. The Treasury is responsible for the raising of long-term money, and one of the axioms that we have learnt is that short-term credit should have short-term money. I would not suggest that the five years should be made very much longer.

Would there be any objection to making temporary arrangements with the Treasury on similar lines to the rural advances ?—I do not know how you could do that. The Rural Advances Act states that the Rural Advances Branch is to be financed by the State Advances Accounts temporarily. That is where they get their cash. That is legally the position. Of course, the loan-money comes into those accounts from the Treasury, but they are carried on temporarily by transfers from the funds of the State Advances Department. They use that money until we get the new capital in, which will replenish their accounts again. I do not see how you could do that here.

Mr. A. Hamilton.] You cannot go on to the market unless you have the security ?—No. You must wait until you get the assets into this concern before the bonds are issued.

And it is not wise to go on to the market for anything less than, say, a quarter of a million ?—No ; it would be too small.

Colonel Esson.] Assuming that the Treasury hands over the whole amount in securities to the Board, the Treasury would give the most favourable securities and the Board would then have £250,000 worth of securities bearing interest : there is not likely to be any loss of interest there ?—I am not speaking of losses at all. If you issue short-dated debentures as against that security there should be no loss.

Mr. A. Hamilton : How long will it take for these securities to be issued ?—In the Rural Advances Branch we find it takes a long time—much longer than we thought.

Right Hon. Mr. Coates : By experience we find some delay in getting the mortgages prepared.

Mr. H. E. Holland : Is there any power to compel a lawyer to move within a certain time ?

Mr. MacDonald : Sometimes he has to give three months' notice to the man ahead of him.

Mr. Holland : Apart from all the technicalities, you find it almost impossible to get the lawyers to bring matters to a head.

Mr. MacDonald : We have no difficulty in our place. Most of the delay in the mortgages in the other scheme has been due to the people not completing because they do not want the new mortgage to start before the old one was off.

The Chairman : No further questions on that point. Thank you, Mr. Hayes.

COLONEL ESSON further examined. (No. 10.)

Colonel Esson : I take it that the question of trading that was raised the other morning has been practically settled to the satisfaction of the Committee—that it is not intended to provide money for general trading purposes through this organization.

The Chairman.] You think the Bill makes that sufficiently clear ?—There is no such intention expressed in the Bill, and I conclude it cannot be done. In regard to the proposals embodied in the Bill, one of the prime objects is to restore the confidence of investors. The Commission's Report emphasises that it is necessary to organize and co-ordinate farm credit to make it more attractive to the man who wishes to lend money at a reasonable rate on proper security ; next is to provide a loan currency which will conform to the requirements of seasonal production, also to reduce the charges to the farmer and relieve him in some measure from the burden entailed by the present system. The better regulation of the security should be effected by means of co-operation under Government supervision, and an initial advance of capital by the State should make it possible ultimately for all the charges to be borne by the business in the interests of which the organization is established. The general principle that the organization should begin at the bottom is most important. In that connection I wish to quote a pronouncement made by the president of the National Federation of Agricultural Associations in France. He says : "The first step toward the establishment of an agricultural credit system in France was to organize rural credit from below, to see that the roots were firmly fixed in the agricultural population itself. An idea formerly prevailed in France, as in other countries, that agricultural credit could only be established by the formation of great central banks from whence credit could flow from all the local centres. When the Government of France finally took up the question of agricultural credit in earnest it was planned on an entirely different principle. It was decided that agricultural credit should begin with the lowest group ; that the co-operative agricultural society or syndicate should form its own credit bank, and that these should grow from below. Under the French system we therefore have the credit syndicate, and out of these the departmental banks (regional banks), usually located in the principal towns, and, finally, the central federation of credit over which I preside. The development of the system has been from the growth of the small unit." It was stated that one of the reasons why the flow of capital into agriculture had been checked was that the sense of security had been disturbed, but that a reasonable amount of credit was available for reputable and efficient farmers who had reasonable security to offer. While that is probably quite correct, and while credit is obtainable under present conditions, the price is often too great in proportion to the productive capacity of the farmer. Dealers' credit is generally expensive. The dealer has to protect himself against loss by increasing the price of his goods, by charging a high rate of interest when he lends money, and by supervision, for which the