

*Mr. Elliott:* There is one point I would like to make, Mr. Chairman. Mr. Polson said that the effect of this Bill would be to reduce the rate of interest, but that it would not be the means of increasing much capital. Surely 90 per cent. of the money that is advanced under this scheme will be used to pay off existing debts; and, if that is so, there must be a great release, and therefore a great increase in the amount of money available.

*Mr. Polson:* That is true. I think we were rather at cross-purposes in discussing that. What I meant to say was that when a man at present, say, has got some credit, and has an overdraft, he would not get a very great deal of increase under this.

*Mr. Elliott:* That means an increase in capital.

*Mr. Savage:* Where is the money coming from to release the present loans. It seems to me that we are only providing more machinery to distribute an amount of credit that is already available. As Mr. Hamilton put it, the money is available from some source now. It may be that the scheme is going to reduce the rate of interest a little bit, but what is the use of that when the average individual does not get any of it?

*The Chairman:* It seems to me that immediately we begin to reduce the rate of interest we cause a flow of money towards the farmer, and that money is going elsewhere to-day. If bonds are sold, we can by this means introduce money from Australia and elsewhere on short terms. There has been a good deal of money which should have gone to the farmer, but which did not go to him in the past because of the high rate of interest.

*Mr. Savage:* If the farmer pays less, how is he going to get more when the source of the supply is controlled by the private banks? That is provided for in this Bill. The farmers contribute a certain amount themselves—

*Mr. Polson:* The bank is an intermediary. The bank merely finds the finance in the meantime, and looks to the Board, which issues debentures, sells them, and discounts the bank's paper.

*Mr. Savage:* That is all right. The machinery is all right. What I want to know is, where is the supply? Where is the money coming from for these securities offered by the Board?

*Colonel Esson:* From floating cash balances held in banks and elsewhere, and other investors.

*Mr. Savage:* That is what we tried to get at last year in connection with the Bill already in operation. Sir Joseph Ward suggested £5,000,000, and he was the only one who attempted to guess at it. Supposing he was correct, how far would that take us?

*Mr. Polson:* You mean, how much of that money is available for debentures in this country? Well, they will be bought readily not only here but abroad.

*Mr. Savage:* He says another thing. Would these debentures, based as they are on the security of the farmers, compete with State stock? Would they be in the same street so far as the market is concerned?

*Mr. Polson:* Well, at first it might appear that they would not be as marketable as State stock. Of course, they are on short terms, and short terms will demand a lower rate of interest than long terms. We expect to get them sold at a pretty reasonable rate of interest.

*Mr. A. Hamilton:* The lender has £250,000 of first-class security behind him.

*Mr. Polson:* Well, not State bonds or debentures. They would not rank with State paper.

*Mr. A. Hamilton:* Pretty near it.

*Mr. Polson:* Not far off it.

*Right Hon. Mr. Coates:* The position is that bankers have to reduce. I do not say so authoritatively. The bankers have practically rationed out their money to everybody, and the farmer in particular, especially the small man, is unable to get money on his security. He can only get an advance in certain circumstances, and then it is rationed.

*Mr. Savage:* My point is that the collective nature of this scheme will strengthen it to some extent. To that extent they will get more capital. The small man can do nothing off his own bat.

*Right Hon. Mr. Coates:* Take an individual case and look at it. Suppose a farmer runs to £400 or £500 a year: most of his business will be done through a dairy company or through stock and station agents. He has not much chance of getting money if he wants 4 or 5 tons of manure or a few hundredweight of wire; but with the association, with £250,000 behind it, it seems to me that everything will work out to the advantage of such a farmer.

*The Chairman:* Does Mr. Savage think there is not sufficient money in New Zealand to do the business? I think that is his objection.

*Mr. Savage:* We are not making any more. This scheme does not make any more.

*Right Hon. Mr. Coates:* I say definitely it does. I think Mr. Polson says so. These are instruments anybody will buy. It is new money coming in altogether.

*Mr. Savage:* We are taking it out of one form of security and putting it into another.

*Right Hon. Mr. Coates:* Assuming you are right, which I will not admit, do you not think this scheme is going to attract money into channels which will give the best value to the country?

*Mr. Savage:* I do not think it is altogether indispensable. We are taking it out of one industry, as it were, and putting it into another. I think we ought to fit our financial institutions to the requirements of the Dominion.

*Colonel Esson:* Yes; but at present we are trying to fit our primary production to financial conditions which are not suitable. The primary producers are too restricted.

*The Chairman:* The whole question we have to consider is whether there is any real shortage of money in New Zealand for short-term credit with first-class security. My own opinion is that when we get the views of authorities on finance we will be able to ascertain whether there is a great deal of shortage of short-term credit in New Zealand. I think it is available if we can get the means of using it.