

*The Chairman* : No. Of course, there is a provision in the Bill that if the losses exceed 25 per cent. of the capital, then the bondholders will have the right to ask for the appointment of a receiver, and responsibility will then fall upon the association.

*Mr. H. E. Holland* : And if the association cannot get the money from the mortgagor, will the State allow the bonds to be dishonoured to that extent?

*The Chairman* : That is a matter for the Government to say.

*Mr. H. E. Holland* : I think it is important.

*The Chairman* : Yes.

*Mr. H. E. Holland* : How will this scheme bring more money to the farmer?

*Mr. A. Hamilton* : It will bring security. It will make a source available.

*Mr. H. E. Holland* : Does that mean that it will reduce the price of existing credits, but that it will not provide any additional credits?

*Mr. A. Hamilton* : Certainly it will. The mercantile firms will not, in many cases, put up the money to-day. Under the scheme proposed, a farmer can get what he wants, and, in addition, any one can get a start farming, so long as he brings some one along to guarantee him.

*Right Hon. Mr. Coates* : Then, there would be two supervisors—the Board's supervisor, and the stock and station agent?

*Mr. A. Hamilton* : The person who is carrying the risk will see that no loss is going to happen.

*Mr. H. E. Holland* : What puzzles me is how, except on the grounds of friendship, you are going to find the men to furnish the guarantee?

*Mr. A. Hamilton* : The firms want the business and will be prepared to give guarantees. They will be prepared, in return for the man's business, to guarantee him as proposed. The firm would take the risk of the loss, because it would be guaranteeing the first 20 per cent. of the loss. The firm would, therefore, supervise things to see that there was no loss.

*Mr. Savage* : My difficulty is to see how there will be an increase in capital.

*Right Hon. Mr. Coates* : I do not see how there can be any doubt about that. There is an issue of bonds, and that is all new money.

*Mr. Savage* : Where is it coming from?

*Right Hon. Mr. Coates* : From the public.

*Mr. Savage* : That is already invested now.

*Right Hon. Mr. Coates* : This puts more public money into new avenues, and makes it available to the farmer.

*Mr. Savage* : If this security is more attractive than the others, then that contention is true; but if it is not, then it is not true.

*Right Hon. Mr. Coates* : The scheme will be sound.

*The Chairman* : Mr. Savage's point is in regard to the amount of money available. My conviction is that we have sufficient money in New Zealand to do our trading. We offer, as farmers, the least attractive security in New Zealand. The banks prefer to go into the mercantile world for their business. We have to offer a more attractive field in order to make a great deal more money available to the farmers. If you take up a newspaper you will see that 5½-per-cent. bonds are shown "Buyers, no sellers." I think Mr. Macdonald will support me when I say that there is plenty of money available. The difficulty is to divert that money into channels where it will give help to the primary producers.

*Mr. Macdonald* : My experience is that all over the Dominion legal offices are stocked with money, which they will not put into country securities.

*The Chairman* : The most important point to decide is whether there is sufficient money available, and I maintain, judging from views of financial people with whom I have discussed this point, that there is sufficient money in New Zealand, and all that is wanted is to provide a sense of security in the minds of those who have the money to invest. We want that money to flow to the farmer.

*Mr. Savage* : If that is all that is necessary, it should be easy, by taxation, to direct it where it ought to go.

*Mr. A. Hamilton* : There is a good deal in that. Taxation could do it in other ways.

*The Chairman* : It comes back to the question as to whether the money is there. Mr. Macdonald, who is in a position to know, supports the view that the money is there. We want to direct the flow.

*Mr. H. E. Holland* : Where does it go now? Mr. Macdonald says that investors will not put their money into this form of security at present. It is contended that the money is put into bank shares. Well, if the money does go into bank shares it has to return interest, and therefore it must be employed by the banks in some form or another.

*A Member* : To finance the importation of motor-cars.

*Mr. A. Hamilton* : I am sure there is plenty of money available.

*The Chairman* : The general opinion is that the money is available.

*Mr. Macdonald* : I do not say that they will put it up until they are educated up to it. We must educate them—

*Right Hon. Mr. Coates* : We have received letters from lawyers all over the country who state that, if these bonds are satisfactory, then, so far as they are concerned, they will invest in these bonds.

*The Chairman* : If we issue the bonds at 5½ per cent. we can make money available to the farmers at 6½ per cent. and make a profit? Farmers to-day are paying anything from 8 per cent. up to 11 per cent.

*Right Hon. Sir Joseph Ward* : The proposal outlined by you, Mr. Chairman, appears to be a good one.

*The Chairman* : Mr. A. Hamilton and I have prepared a statement outlining our proposals. It reads as follows :—