

is somewhat more than £4,000,000. In my opinion, this understates the position, especially if other forms of indebtedness are taken into account. It would appear that mortgage indebtedness has at least doubled during the years 1914–26. Even allowing for a considerable margin of error, the increase in mortgage indebtedness and the increase in the price he has to pay for credit accommodation (which is discussed below) stand out as by far the most important economic burden pressing on the farmer. The amount involved in bringing back annual mortgage charges to the 1914 parity with export prices is three or four times the amount involved in bringing wages back to the same parity, and two or three times the amount involved in reducing taxation to the 1914 parity. It must not be ignored, of course, that land-values and mortgage indebtedness in the towns were also inflated considerably. As an item in overhead expenses, this has delayed the fall in retail prices and in the prices of farm requisites, and has restricted the credit available for both agriculture and industry.

(5) *Rural Credit*.—A related problem is that of rural credit. Excessive credit in the past on too easy terms as regards security, is to blame for a great deal of the farmer's troubles.* Not only did it stimulate land speculation and make for land-value inflation, but also it was an important factor in encouraging men to take over areas of land which were too large for economic working with the free capital available. This is by no means the least important factor in the present situation.

There is very little doubt, however, that the present machinery for credit is inadequate. Most farmers have too little free capital for purposes of stocking and production, and adequate credit on reasonable terms is not easy to get. This is due in part to heavy investment in urban and country mortgages, in part to the divergence of capital into tax-free and local-body stock and debentures (say, £70,000,000 in all), and in part to lack of confidence of investors in the farming industry, in consequence of which funds available for agriculture have been reduced. This naturally reacts on agricultural efficiency and hampers recovery. It must be pointed out that the increase in the rate of interest on loans for productive purposes does not measure the whole extent of the burden. It is shown in Table 4 that the price of requisites was 47 per cent. higher in 1926 than in the average, 1909–13, and 29 per cent. higher in 1927. Requisites costing £100 in the earlier period would cost about £147 in 1926, and, say, £130 in 1927. The rate of interest before the war appears to have been in the order of $4\frac{1}{2}$ per cent. to 5 per cent. It is questionable whether accommodation could now be obtained for less than 7 per cent. or $7\frac{1}{2}$ per cent. by most farmers. It follows that the increase in the cost of financing productive enterprise to the extent of £100 before the war is not simply as from $4\frac{1}{2}$ –5 per cent. to 7– $7\frac{1}{2}$ per cent.; for allowance must be made for the increase in the cost of the goods to be financed. If we take the rate of interest at 7 per cent. in 1926, the increase in cost of finance would be found by the formula—

$$\frac{149}{100} \times 7 = \text{nearly } £10 \text{ 10s.}$$

The financing of a given volume of purchasing which cost £4 10s. to £5 before the war would cost somewhere about £10 10s. in 1926 and about £8 in the first half of 1927. In so far as funds had to be borrowed for the payment of wages, the same sort of consideration applies.

5. CONCLUSIONS.

Information on which to base an opinion as to the economic position of the farmer is intractable and difficult of access. For this reason it is impossible to obtain an exact measure of changes in the average net income of agriculturists; nor is it possible to measure precisely the increase in the burdens which the farmer has to bear. I believe, however, that the foregoing statement of the relative importance of the burdens pressing on the farmer is substantially correct.

It is clear that the economic returns to agriculture are unsatisfactory as compared with those in 1914, in the sense that the farmer obtains a substantially smaller proportion of the returns from a composite unit of produce than he did at that time. Despite increased productive efficiency, the real net income of the agriculturist is in general appreciably less than in 1914. Stated more specifically, our conclusions are as follows:—

(1) The exchange value of agricultural goods in terms of consumer's goods bought retail is considerably less than in 1914, so that even if costs had moved proportionately to agricultural wholesale prices the farmer would be worse off.

(2) Local taxation borne by the farmer has increased appreciably more than export prices. To bring such taxation back to a parity with export prices it would have to be reduced by, say, £500,000 in 1925, and £1,000,000 in 1926. The increase in taxation is due only in part to improved services. I do not believe that land-taxation represents an appreciable burden on the majority of farmers, though it may in some instances.

(3) In 1926 agricultural wages would have to be reduced by at most £800,000 to bring them back to a parity with export prices; but it must be remembered that agricultural labour did not share in the substantial profits of the boom period.

(4) Contrary to the generally accepted view, the disparity between agricultural prices and the wholesale prices of agricultural producers' goods has been beneficial to farmers in general of recent years, though not necessarily to particular groups. In reference to certain classes of farmers (*e.g.*, dairy-farmers), the lag of retail behind wholesale prices has possibly caused a disparity with agricultural prices prejudicial to the classes concerned; but it is highly improbable that the lag is sufficient to offset the advantage to farmers as a whole. The assertion that the Arbitration Court, through its effects on manufacturing costs, has raised agricultural costs relative to agricultural returns is untenable; but there are reasons for believing that the margin between wholesale and retail prices is in some instances too high. The effects of over-capitalization and an increase in the number of

* See "Rural Credit in New Zealand," by J. B. Condliffe and H. Belshaw, *Trans. Aust. Assn. Adv. Sci.*