in different countries, feel that they cannot too strongly urge the importance of encouraging and assisting the small farmers of New Zealand to become freeholders.

Limited and Unlimited Liability.

The question whether the liability of the borrower under any rural-credit system should be limited or unlimited is one to which the Commission devoted much time and attention, with the result that the former plan is considered best suited to New Zealand conditions. The conclusion of the Commission may be summarized by quoting from the finding of the Departmental Committee on Agricultural Credit in Ireland, presented to both Houses of Parliament in England in 1914:—

> "(*a.*) The adoption of unlimited or limited liability is not so much a matter of principle as of expediency and of adaptation to varying economic and social conditions. Both systems have been eminently successful when properly managed and supervised.
>
> "(*b.*) The unlimited principle is generally suitable only when most of the members are fairly equal in status, and are of the smallest class of agriculturist, although the presence and help of better-off members is most valuable. Experience does not sustain the contention that unlimited liability is always effective in ensuring careful local management. In Ireland extreme laxity in the local management of many societies has existed in spite of unlimited liability.
>
> "(*c.*) In Germany, the home of the co-operative credit movement, legal limitations prevented till the year 1889 the adoption of the limited-liability principle. This naturally tended to give a considerable start to the system of unlimited liability in that country, and in those countries (including Ireland) which followed its example.
>
> "(*d.*) In recent years there has been a steady extension of limited-liability credit societies in many countries, more expecially where the rural classes in the same district are of varying status, although the great majority of rural, as distinct from urban, credit societies are still based on the unlimited principle.
>
> "(*e.*) Unlimited liability having been so long abandoned in Great Britain and Ireland in the spheres of business and commerce, there is an undoubted difficulty in successfully advocating its claims as a basis for any organization for rural credit or otherwise. Organizers of credit societies in Ireland should explain the main advantages both of the limited and the unlimited systems.
>
> "(*f.*) The evidence has proved that in Ireland, as in Great Britain, the more substantial farmers, who might with much advantage to the credit societies have become members, have been deterred from joining by the fact that under the present system of unlimited liability they would incur the serious and almost inevitable risk of being the chief marks in case of action by creditors of the societies. We do not agree with those who, differing in this from Raiffeisen, favour the exclusion of medium and large farmers from credit societies; on the contrary, we think the Irish movement has suffered much from the absence of this class."

The opinions of economists and other financial authorities consulted by the Commission generally support this view.

Where unlimited liability exists on the Continent, as is the case with the Raiffeisen banks in Germany, it is individual and collective; in the event of the failure of the society any deficit is recoverable from individual members by a *per capita* levy. Members are protected by the Co-operative Societies Act to the extent that proceedings against creditors are permissible only after a lapse of at least three months from the date on which the contributory claim is declared executable, provided that such claims have not otherwise been satisfied.

> "Unlimited liability—retained in a steadily declining degree in Germany—avowedly a German tradition—was not by any means indispensible to them."—H. W. Wolff (*Transactions of Surveyors Institute*, December, 1912).