

Mr. J. R. Cahill, C.M.G., a well-known English investigator of Continental rural-credit systems, states that—

“The adoption of unlimited liability is not a matter of principle but of expediency. It may well be the case in England that unlimited liability, having long been abandoned in business, may appear so far-reaching in its possible consequences that to secure its general adoption might present almost insuperable difficulties to the extension of the co-operative movement. As already observed, the likelihood of rural credit societies, under conditions of management and inspection such as are applied in Germany, involving their members in serious losses is extremely remote; but for practical purposes consideration might be extended to the prevalent disinclination in this respect. The essential point is that members should incur such liability that in proportion to their means and to the utilization of the services of the society their interest in its success, as well as an adequate basis of credit for the society, should be secured. This object is attained under the system of limited liability in Saxony and Pomerania.”—(Report of Committee on Agricultural Credit in Ireland.)

Sir F. A. Nicholson, writing on the Schultze societies, remarks :—

“It is doubtful if this solidarity is essential to success. In Austria it is not compulsory, and only half the societies have adopted it; in Italy, where the success approaches that of Germany, it is practically unknown in the popular banks.”—(Report on Possibility of introducing Land and Agricultural Banks into the Madras Presidency, 1895.)

Mr. C. R. Fay, referring to the Luzzatti popular banks of Italy, says :—

“The liability of shareholders is limited. Unlimited liability was a kind of fetish of Schultze-Delitzsch—the *sine qua non* of all co-operation. Luzzatti had the genius to see that though suited to the Germans, who had been accustomed to it since the establishment of land banks with unlimited liability and compulsory membership by Royal decree in the middle of the eighteenth century, it was alien to Italy, where organized credit was unknown, and where there were greater extremes of rich and poor who could not have been induced to co-operate on a basis of unlimited liability.”—(“Co-operation at Home and Abroad.”)

Other well-known authorities, notably O. R. Hobson, M.A., J. Nugent Harris, and Dr. O. Rabe, have expressed similar views; while Sir Horace Plunkett points out that—

“It is obvious that unlimited liability would lose its efficiency in developing the sense of responsibility if some members of the association were so substantial that its creditors would make them primarily responsible in the event of its failure.” (Report on Agricultural Credit in Ireland.)

The unlimited-liability principle has been adopted in Denmark, but such authorities as Dr. Erik Krag, managing director of the Ostifernes Kreditforening, have declared that it is unnecessary. It is desirable as far as possible that all classes of farmers, large and small, should mingle in these associations, if they are to have adequate and necessary strength, and it is most unlikely that men of substance will enter into any co-operation or copartnership with smaller and more needy farmers if such an arrangement includes any liability on the latter's behalf.

The Americans have adopted a system of definite limited liability in creating an intermediate credit for their producers, and, although the system has had only four years' trial, it is giving satisfaction.

Unlimited liability is not a basis upon which a practicable and useful intermediate credit system could be established in New Zealand. It is not necessary, and if adopted would impose an unfair handicap upon the primary industries from which ordinary commercial finance is free. The Dominion farmer, like the British farmer, has a strong disinclination to allow his business to be known to others, and is equally disinclined to enter into any obligation to guarantee the whole or any portion of another person's indebtedness. It would be futile to recommend the