

The most desirable means of relieving congestion in the cities is the provision of homes on the land for landless people. Unfortunately, farming does not make a sufficiently strong appeal. The benefits are not always commensurate with the risks and disadvantages. Capital is necessary, and the return from capital is not large. The quantity and quality of crops are affected by accidents of harvest, disease, pests, weather, &c., which are entirely beyond the control of the farmer. Live-stock is liable to accidents, and losses from disease, and other causes against which insurances are effected on the Continent and in America. The speculative hope of enhanced value therefore influences many, rather than a keen interest in primary production. The need is for a method which will not encourage speculation in land, but one which will make farming more attractive to those who are eager to work. No better plan has presented itself to the Commission than a soundly administered system of rural mortgage which provides capital for the development of the farm at reasonable rates for a long term, with amortization provisions. The acceptance of this system, all over the world, has been a most valuable factor in the closer settlement of land. It has reduced charges for interest, given security to both mortgagor and mortgagee, and, by its tendency to stabilize land-values, has diminished land speculation.

THRIFT AND CO-OPERATION.

The encouragement of thrift is closely connected with the supply of capital and credit for agriculture, and the Continental systems are designed not only to provide capital, but to inculcate in borrowers the habit of thrift and a due appreciation of the value of money. The wide and beneficial development of this system in Germany, where it had its birth, and throughout the world, is said to be one of the most remarkable phenomena of rural economy in modern times.

The value of co-operative agricultural credits to small farmers has been stressed by many investigators. "We were, early in our sittings," says the report of the Committee on Agricultural Credits in Ireland, "convinced that a soundly organized and supervised system of this nature would best supply the special credit needs of the small farmers." It is reasonable to suppose that the adoption of such a system would facilitate closer settlement in New Zealand, popularize country life, assist in relieving the congestion in the centres, stimulate production, and generally play a most important part in increasing the wealth of the community.

Where facilities for obtaining credit are increased there usually follows an increase in the total mortgage debt. This increase should have the effect of stimulating production, and the increase in the debt should be so regulated that it does not grow out of proportion to the increase in production.

General trading by credit societies should be confined to agricultural requirements, and credit should not be provided, under the scheme presented in this report, for general trading. Co-operation and speculation do not run together; consequently, credit and trading should be kept apart.

NEW ZEALAND CONDITIONS.

Whilst conditions in the countries visited differ materially from those which obtain in New Zealand, yet in certain essentials they present many points of resemblance.

Something more than the ordinary system of finance is required in a country entirely dependent upon agriculture, which is the foundation of its whole economic and business structure.

When the primary industries are flourishing the community is prosperous, but when the spending-power of those who derive their incomes from the land is diminished, then general depression and unemployment follow in natural sequence. This was emphasized in the United States during the recent depression in agriculture, which depression soon spread throughout the whole nation, and forced a complete recognition of the dependence of all industry on the stability of agriculture, and the institution of a sound and permanent system of agricultural finance.

So far as the supply of short-term credit is concerned, the Commission failed to discover anything better than the facilities already afforded in New Zealand under ordinary banking conditions and the State Advances Office short-term system, which latter, however, does not appear to have been used to any great extent.