

As regards long-dated loans and their amortization, the extension of the present State Advances system, and the provision of capital by the sale of land-mortgage bonds, or debentures, which would find a ready market locally and abroad, should amply meet all reasonable requirements.

Some further provision is necessary to assist the orderly marketing of produce and the regulation and improvement of the process of distribution. The position has been met in the United States by the institution of an intermediate credit, under which advances are made on sound business conditions to co-operative associations or societies, but loans are not made directly to individuals.

It soon became evident that, without seriously disturbing existing methods, settlement and production could be facilitated in New Zealand by extending the functions of the State Advances Office and embodying in its administration certain of those principles which are being so successfully applied in other parts of the world, where, under the better organization of securities, credit for agriculture is obtained on the most favourable terms.

Members of the Commission were unanimous in the opinion that any readjustment of conditions in New Zealand must conform to the interests of the whole community, and that any scheme that they might formulate should be designed to establish a closer and more friendly relationship between the farmer, the business man, and the banker.

The formation of long-term mortgage co-operative loan associations is not considered necessary in New Zealand, where producers already possess a sound and efficient system designed to supply borrowers with capital at cost price. The fullest advantage has therefore been taken of the existence of the State Advances Office, which operates at low administrative cost, and, in conjunction with the Treasury, can obtain money on the best possible terms. What is recommended, therefore, is supplementary to the present system—namely, the creation of a special rural credit branch within the State Advances Office, controlled by the same non-political Board, but on which it is proposed that the farming interests should be adequately represented. It is suggested that the new division should be designated the “Farm Loan Branch,” and the Board administering it the “Farm Loan Board.”

At present, capital for the State Advances Office is obtained by the issue of securities charged upon the public revenues, thus inflating the gross public debt by the inclusion of part of the private indebtedness of the Dominion. This duplication appears to have had a limiting effect upon the ability of the office to keep pace with the growing demand for credit, because of a natural disinclination to increase the gross public debt. Amongst other and many greater advantages to be effected by the issue of land-mortgage bonds, interference with the public debt would be avoided.

LAND-MORTGAGE BONDS.

The principle underlying all co-operative loan systems is the issue of bonds based on the collective value of the security of many mortgages.

The basic principles of land-mortgage banks are well adapted to meet the needs of New Zealand agriculture, and the best method of cheapening agricultural credit is by the emission of land-mortgage bonds. The State Advances Board supplemented by representatives of the agricultural and pastoral interests could efficiently inaugurate and control such a system at a minimum cost, but, as already suggested, the establishment of a special division or branch for the administration of rural credit is desirable.

Land-mortgage bonds are securities similar to those issued by the State, except that they are secured on first mortgages on land with amortization provisions. They possess very many advantages apart from the relief to the gross public debt of the burden of rural finance, but it cannot be too strongly emphasized that their value will depend upon a correct appraisal of the securities and the ability with which they can be converted into cash at some figure approaching their face value. Under proper administration land-mortgage bonds provide a liquid and readily accessible security valuable as collateral to the holder, as well as satisfactory to the borrower.