They are proper and desirable investments for trust or other fiduciary funds. They command a ready market, and exhibit great stability of value. They can serve no speculative purpose, and their provision for amortization is in itself a valuable consideration. They permit and recognize the pooling of securities and the offering to investors of solid blocks of securities, thus helping to keep down interest charges.

The report of the United States Commission appointed to investigate co-operative land-mortgage banks in Europe in 1913 contains the following observation regarding these bonds :—

> "Such securities merit a wide investment field, on account of their intrinsic worth. The national Government is fully justified in extending a generous recognition to these bonds because they are issued to aid and develop agriculture. All commercial banks, savings-banks, insurance companies, and other like institutions should be permitted and encouraged by State and Federal legislation to invest their funds in these bonds ; both State and national Governments as well as private enterprises should receive these bonds as approved collateral in all transactions including like securities. The Government may not justify the use of public funds to promote purely private enterprises, but we are beginning to comprehend that the Government itself is a co-operative enterprise."

The ability to sell land-mortgage bonds must depend upon the valuation of the securities, the only sound basis for which is the productivity of the land, ascertained over a term of years, but eliminating abnormal periods.

Two methods of dealing with bonds are in vogue—one, that of giving the borrower bonds, and the other of giving him cash, which latter accords best with New Zealand custom and conditions. The bonds should be issued by the Treasury and State Advances Office, the former undertaking their sale. The legislative authority should specifically limit the issue of bonds to the total value of the first mortgages held as security, and provide that the bonds should be trust securities. The principle of allowing borrowers to repay their loans by bonds of the same series prior to maturity, but after the expiry of five years, is an incentive to thrift and debt-reduction, and one of the factors in maintaining a steady market for bonds.

Capital repayments should be applied to the redemption of the debt, as in the case of securities issued on behalf of the State Advances Office.

Farm-loan or agricultural-credit bonds are a popular and recognized form of investment in all countries where issued, and are everywhere recognized as securities to which trust funds may be applied. There is no difficulty in disposing of Danish bonds, either in Denmark or abroad, at prices which represent the market rate for gilt-edged securities. They find a market in England, where, we were reliably informed, similar bonds issued by New Zealand would undoubtedly receive at least the same consideration. In the United States, owing to the powers vested in the Farm Loan Board, land - bank bonds do not fluctuate greatly in value. The system employed is best described by a concrete illustration.

In 1923-24 there was a drop in the market price for United States farm-loan bonds. The fiscal agency stepped in and purchased 3,171,500 dollars' worth of 4½ per cent. bonds at an average of a fraction less than 97⅓. These bonds were cancelled by the land banks at par, the profit on the transaction being 84,636 dollars. Kindred bonds are now selling at a premium, so that the statement of profit is conservative. Direct sales of farm-loan bonds during 1924 by the fiscal agency netted the banks a profit of 10,272 dollars.

In December, 1924, there was another fall in prices, and the fiscal agency bought up 1,392,000 dollars' worth. Of this amount 630,000 dollars were the 5-per-cent. bonds of the Federal Land Bank of St. Louis, which were cancelled by that institution. The balance, 762,000 dollars 4½-per-cent. bonds, were purchased at 101¼, and were gradually resold at the purchase price. The effect of these purchases was to stop the decline in the market, for fifteen days later 30,000,000 dollars 4½-per-cent. bonds were sold at 101½.

The fiscal agency undertook the task of introducing the securities of Federal intermediate credit banks and of selling them direct to banks and investors, and at 31st December, 1924, had sold at prices approved by the Farm Loan Board 117,650,000 dollars' worth of these securities without any cost except for advertising.