

The War Finance Corporation made direct loans up to November, 1924, totalling \$297,934,000, and approved other loans amounting to \$480,000,000. This greatly relieved the financial stringency. The agricultural credit corporations were then created to further assist in the general relief.

While these institutions more or less dealt with short-term credit to farmers, it became increasingly obvious that a system of intermediate credit was necessary, and these influences led to the establishment in 1923 of the intermediate-credit system, under the control of the Farm Loan Board. The system has been a pronounced success in so far as that a ready market for its debentures has been found, and the intermediate-credit banks "have been able to make direct advances at rates varying from $4\frac{1}{2}$ to $5\frac{1}{2}$ per cent." (U.S. Year-book).

The financing of intermediate-credit banks is done by the issue of debentures having a maturity of six months to three years. These securities provide a first-class investment for bankers and trust companies, and command a low rate of interest, generally in the region of 5 per cent. The rediscount facilities of the intermediate-credit banks have been used largely by live-stock companies and agricultural credit corporations created for the purpose of taking advantage of them.

The commercial banks, being limited in the interest-rates they may charge to $1\frac{1}{2}$ per cent. over the discount rates of the Federal intermediate-credit bank, have used its facilities only very slightly, but nevertheless a new channel has been opened up through which intermediate credit may flow freely to all parts of the country. The terms and conditions of the loans are more liberal than have previously been the case. The system provides for partial repayments at the option of the borrower, and renewal privileges are freely granted.

Wherever there has been a reluctance on the part of local banks to take farm paper on this basis, the agricultural credit corporations created in 1923 have been formed for the purpose. These latter institutions receive no deposits and do not carry on a general banking business. Their capital is frequently subscribed either by farmers themselves or by those interested in them, and their function is to discount farm paper, and then rediscount it with the Federal intermediate-credit bank.

The Federal farm-loan authorities lay stress on the importance of organization and management. They do not fear that the provision of short-term credit will encourage speculation by allowing the farmer to hold in the hope of a higher market, because they are themselves the judges of conditions and possess complete power to force sales. If the Board considers the market is reasonably good it insists on the disposal of the mortgaged crop in a reasonable period of time. If, on the other hand, it thinks the farmer is being called upon to sacrifice his produce it extends his credit.

There does not appear to be any necessity for the existence of the joint-stock land banks, for the creation of which provision was made in the Federal rural-credit legislation in order to placate opponents of the measure, and to satisfy interested advocates of private enterprise. This concession has since been regretted, because these institutions pick the eyes out of the farm-mortgage business and pay handsome dividends to shareholders, which under the Federal farm-loan land bank system would be divided between borrowers. The joint-stock land banks operate for personal gain, and profits are divided between their shareholders. Federal land banks, however, are specifically forbidden to do this, and must divide profits between their borrower clients, the sole object of their existence being to furnish capital for producers at the lowest possible price.

Federal land banks have been very successful in disposing of their land-bank bonds. Early in their organization the twelve banks secured the interest and support of six of the largest banking organizations in the United States. The Federal land banks then arranged to pool their offerings and bring out their bonds at stated periods, keeping off the markets in the interim. The syndicate of banking houses, acting as wholesale agents, enlisted the services of some thousand or more other bond houses and banks throughout the United States, so that whenever an issue was made a very large number of investment houses were handling the securities. There has never been much difficulty in selling land-bank bonds, which occupy a very high place in the investment market of the country. Without this strong machinery for marketing securities the great progress and success achieved would not have been possible.