

In Argentina and Uruguay the Government guarantee is absolute. In Chile, although not expressly stated in the Act, the Government publishes the fact that it is behind the bank.

The results have been generally satisfactory in all three countries. The losses are very small in comparison with the business. The market price of bonds varies with the rate of interest, but they are generally sold at from 95 to par. Securities are not issued by co-operative groups. A private mortgage bank in Chile has the power to issue bonds, and does so on terms very slightly under those obtained by the State institution.

The Commission was not prepared to find such well-devised and soundly managed organizations for the supply of rural credit operating in South America, and so well worth investigating. To find that they have functioned so successfully in spite of political changes and disturbances was none the less surprising. The basis of their success was probably the comparatively low level of land-values which existed at the time of their foundation. Land-values have grown with the banks, but are still much lower than in New Zealand. Climatic conditions partly account for this. On the other hand, unusual conditions as regards labour and taxation obtain. The agriculturist is practically immune from taxation, and workers whose standard of living is deplorably low are plentiful. In such circumstances farming could hardly fail to be profitable, and this is clearly shown in Argentina where loans are generally paid off within eleven years.

The Commission was impressed with the outstanding success of the State Bank of Uruguay, which combines the functions of a long-term lending institution with those of an ordinary bank of issue rendered possible by the use of savings-bank funds, &c. The bank is well managed, and short- and intermediate-term credits are carefully administered. The figures quoted above indicate the substantial assistance that the institution has afforded land-settlement and agriculture. The example furnished by this bank in publishing advice and instruction to the farming community is worthy of emulation.

FRANCE.

The organization of agricultural credit in France has been the growth of many years, but was only comprehensively dealt with in 1920, when a co-ordinating Act placed the whole system under the control of the National Office for Agricultural Credit. This office now acts as a central bank to all funds, administers the money made available annually through the Bank of France, and has power to issue bonds and to administer credits for the opening-up of waste lands and restoring devastated areas. The system began with the co-operative societies, who originally developed district banks, and then a central federation; but the Bank of France, at the direction of the Legislature, has been an important factor in providing finance for agricultural credit.

Agriculture in France is regarded as of the highest importance, and the Legislature, through the Bank of France, has created rural credit facilities to a greater extent than any other country in Europe. In spite of difficulties in the recovery of debts from farmers under French law, the Bank of France has provided an initial fund of 40,000,000 francs, supplemented with annually increasing sums which have ranged up to 7,000,000 francs for rural credit. It also facilitates the rediscounts offered by rural banks to commercial banks, and it makes a representative farmer a member of its District Board in each of its 570 branches.

Long-term loans of a proportion of the funds at the disposal of agriculture from this source are also made to co-operative societies at interest-rates varying from $1\frac{1}{2}$ to 2 per cent. These loans are granted at this favourable rate on the theory that the promotion of agriculture means the promotion of national interests. Prior to the Act of 1920 the system of collective credit was greatly extended in 1906, when legislation aimed at making small holdings accessible was passed. The effect was to further encourage co-operation, to group cultivators together for co-operative purchase and sale by granting loans to them for the exploitation of the soil, sale of produce, &c., for twenty-five-year periods. The district banks were allowed to borrow State moneys without interest to the extent of one-third