

preneurs were in a position to obtain credits at the commercial banks, though at very high rates. With the drastic fall of prices during the depression, most of the loans granted by the commercial banks were frozen. In order to avoid a complete breakdown of the banking system, the National Bank rediscounted large amounts of illiquid bills which it kept in its portfolio during subsequent years. Special legislative measures were adopted to liquidate these debts. In these conditions, the Government created in 1937 and 1938 several official institutions, entrusted with the supplying of credit to the mining industry (*Bank of Gold and Metal Enterprises*), to agricultural industries (*Bank for the Processing and Marketing of Agricultural Products*) and to the middle classes (*National Institute of Artisan Credit*). The resources of these institutions were provided, to a large extent, by the Government; in addition, they were given power to rediscount bills at the National Bank and to issue bonds eligible as collateral at the National Bank and public banking institutions. The total credits granted by the Bank of Gold and Metal Enterprises amounted in 1938 to 552 million lei.

### CONCLUSIONS

9. Perhaps the most striking feature of the above summary of the machinery for the provision of medium-term credit in various countries is the fact that the total amount of credit extended by the institutions established for the purpose has been very limited. This is not to say that the question of medium-term credit is unimportant. But the small volume of credit extended does strongly suggest that there is no great unsatisfied legitimate demand at the present time. As business revival becomes more general, the demand will doubtless grow, and there are good reasons for believing that in most countries the supply will keep pace. Where gaps exist in the financial machinery, they are narrow and are gradually being closed. It is difficult, and highly important in each case, to judge to what extent and for what purpose medium-term credits can be granted to industry on a business-like basis. The risks of lending are especially heavy in small industries, where future success is more than usually difficult to evaluate, and where the continuity of efficient management cannot readily be assured in the event of personal changes. Particularly at the present time, when economic and political conditions are changing very rapidly, lenders are reluctant to extend credit, and business reluctant to borrow, for long periods. These are factors which must be taken into account in the granting of medium-term credits. There is, in our view, no legitimate economic case which can be made out why such credits should be granted on a non-economic and highly risky basis. We have not felt that we need concern ourselves with the broad issues of social policy which may be held to justify special measures to support certain sections of the community.

10. The risks of small business, particularly at the present time, are such as to require a high proportion of equity to borrowed money; capital risks should not be covered by credits. Recently, there has been some tendency in certain countries for a few investment trusts and private corporations to take capital participations in small- and medium-sized industries, thus helping to reconcile the desire of the individual investor to diversify his risk (and hold marketable securities) with the necessity of close supervision of the funds employed in industries of the type mentioned. Such developments, though they have not gone very far up to now, are the more interesting, as certain basic tendencies appear to be reducing the volume of capital willing to undertake risks. The growing burden of taxation and increasing desire for liquidity—due partly to political conditions and partly to the necessity of taking into account future fiscal exigencies—has diminished the willingness or ability of wealthy individuals to employ funds in capital participations of a risky and unmarketable nature. Moreover, the increased burden of taxation and Gov-