

## SECTION II

**RURAL CREDIT IN EUROPE**

One of the outstanding facts about modern Europe is the number and variety of its financial institutions. Private, public and co-operative organizations have grown up everywhere, often with a view to meet special needs or to solve special financial problems. In every country the ordinary joint stock bank is, of course, to be found. Side by side with these are to be found savings banks working under definite restriction; rural banks specially suited to do business with the rural communities; public utility banks, that is banks doing a non-profit-making business; land mortgage banks whose activities are often confined to land mortgage business or to credit based on land mortgages; general joint stock loan companies; state banks doing business on a profit-making basis in the interest of the State; and finally co-operative banks specially regulated to assist and stimulate co-operative institutions.

Institutions of all of the above mentioned types give consideration to the problems of agriculture and make loans on the basis of farm land security. I shall discuss, however, the agricultural credit institutions only; that is, institutions whose function is to deal with problems of agriculture specifically and whose aim is to give the agriculturist money at rates of interest in relation to the security offered. These institutions give to the farmer the advantage of their knowledge of the value of his security and have resulted in establishing agricultural credit on what is regarded as a rational basis. As a consequence of their operation the small farmer has been taken out of the hands of the usurers, whose rates of interest fifty years ago ranged from ten per cent to fifty per cent, and has been made the cheapest borrower in the country. These institutions have done more than this. They have had a regulating influence on the rate of interest charged by all the other financial institutions doing business with the farmer. As an illustration, one might take the position of the Land Mortgage Credit Associations or the *Landschaften* in Germany. At the end of 1912, the financial institutions in Germany lending money on mortgages had invested about \$6,500,000,000 in various types of mortgage security. Of this amount over \$2,000,000,000 was in farm mortgages. Of this latter amount the *Landschaften* held \$850,000,000, about 13 per cent of the whole, or about 40 per cent of that invested in farm mortgages. The rate of interest, however, was practically that fixed by the *Landschaften*. The above figures stood practically unchanged in 1920. In this section of the report attention is devoted to a description of those institutions whose special aim is to facilitate agricultural credit, dealing with those of a co-operative or state-aided type, or a combination of both.

Studied with respect to their purpose, these institutions fall under two general heads:—

1. Those giving Long Term or Mortgage Credit.
2. Those giving Short Term or Personal Credit.

**1. Long Term or Mortgage Credit**

Of the institutions giving Long Term or Mortgage Credit the following are the most important and will be described in some detail:—

- (1) The German *Landschaften* or Land Mortgage Credit Associations.
- (2) The German Mortgage Credit Banks.