

of that capital at stated intervals. They are, therefore, the investments of that portion of the funds of society which makes no part of the circulation, and which is seeking a fixed realization for the purpose merely of the revenue.

It appears that the lenders of this class of capital were subject, in France, to various excessive notarial charges, and other difficulties, which rendered them unwilling to effect such investments merely upon the strength of individual security, even though fortified by the hypothecation of real property. It was said in favor of the establishment of institutions of *Crédit Foncier*, not only in France, but in all those countries where they were put in operation, that the irregularities and delays of the procedure, the excessive valuation sometimes put upon the real estate, its depreciation in consequence of unforeseen events, the nature of the *revenu foncier* which responds but slowly to the sacrifices made for the amelioration of the soil, were so many causes of uncertainty for the lenders, and in contributing to make them more reserved, forced the borrowers to pay extravagant interests for the advances. If to these circumstances is added the competition of commerce and manufactures for this superabundant capital, it is easily understood that the mortgage loan of agricultural proprietors, surrounded by inconvenient and illusory formalities, far from attracting capital, would act in a contrary direction.

The object of the establishment of the *Institution de Crédit Foncier* was, therefore, not only to afford ample security to the lender against the contingencies above enumerated, but also to afford to the agriculturists equal facilities for borrowing with the merchant and manufacturer. They are, in fact, *agricultural banks*, (*banques agricoles*.) The *modus operandi* of the institutions, in plain terms is, that neither the borrower nor the lender deals with each other, but with the institution. The institution is the medium through which the funds for investment flow from the capitalist to the farmer. The institution gives its united corporate guaranty to the capitalist, and pays him the interest on the investment when it falls due; while the borrower (*propriétaire emprunteur*) pays to the institution a sufficient amount, by way of interest or annuity, to pay the interest to the lender, to defray the expenses of the administration of the society, and to provide a sinking fund, which, at long term, say fifty years, will serve to extinguish the original debt.

The first of these institutions was put in operation in Silesia after the peace of 1763, which put an end to the seven years' war. After that event, Frederick the Great, wishing to alleviate the situation of the Silesian proprietors, of whom the debts were so extensive as to threaten them with the entire dispossession of their property, did not hesitate to sacrifice the interest of the creditors by extending, for three years, by an edict of indulgence, (*moratorium*,) the payment of the interests due at that time.

The effect of this measure was the ruin of the credit of all those who were obliged to resort to it. Capital was turned completely from the soil, leaving, for its only recourse, loans at usurious and ruinous interest. It was, in these circumstances, and to arrest further disasters, that the idea of a collected credit, by means of an intermediate agent, was adopted by Frederick, on the proposition of a merchant of Berlin, named Kauffman Buring. It is represented that the good effects of the measure were