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In matters of unemployment and the like, all questions primarily of concern to municipalities and to provinces, we are prepared to cooperate with the municipalities and the provinces in seeking a solution. (Hansard 1922, page 1074)

4. Seven provinces out of nine have a provincial system of rural credit. Therefore, these seven provincial governments have considered the matter as being primarily provincial.

5. The primary object of the establishment of a rural credit system, is to enable borrowers to obtain long term loans at a lower rate of interest, and thereby to enable them to amortize their indebtedness by a yearly payment approximately equal to what they today pay for interest alone.

6. One of the essential conditions of success for such a system, is that the cost of administration will be reduced to a minimum.

The cost of administration cannot be reduced if there is a multiplication of similar institutions.

The overhead and fixed charges spread on a large figure of business will represent a very small rate of interest to each borrower. But, overhead and fixed charges spread on a small volume of business will represent high rate of interest to borrowers.

In addition to this, a single system organized under Federal authority which would absorb and coordinate all systems of Rural Credit in Canada, would reduce the cost of administration to the minimum, because it would have a large volume of business.

But, the creation of a Federal system which would be super-imposed on the provincial systems, would only divert from the provincial institutions a certain volume of business, which is theirs legitimately, and that would tend to increase the rate of interest charged for administration to those who would borrow from the provincial institutions.

Instead of helping to solve the problem, the creation of a Federal system of Rural Credit would be detrimental to the borrowers, and to the existing provincial systems unless we can first secure the cooperation of the Provincial Governments.

Therefore, it is advisable that the first step to be taken should be to see whether this cooperation can be secured, and a system devised which would not duplicate but absorb and coordinate the present systems.

[Signature]