

APPENDIX No. 3

a special machinery quite adapted to these wants. In these cases credit to be adequate should run for a much longer time than the banks can afford. Of course mortgage credit is available, but for 12 or 18 months or more, it is a very expensive credit, on account of the incidental costs which raise the price of money to an abnormally high figure. In eastern Canada the agricultural credit for small farmers is almost entirely unprovided for except in a very primitive sort of way, and in most cases, more ruinous than advantageous, leading very often to very bad results, involving the farmer in endless troubles and, as a consequence, the selling of the farm at sacrifice. That kind of credit is wanted more or less everywhere and would do immense good if well organized as it is in a co-operative society. It cannot be denied that such a society can alone exercise the proper restraint and control upon the use of credit in order to prevent in a large measure the abuses which are disastrous in so many cases. That is the experience here as well as in every country of the world. The credit given out by the village association is the right kind of credit, because the borrower, as just seen above, has to state why he is borrowing it, and the association make a point to watch the employment of the money so obtained. This question is discussed by Mr. Wolf in the following lines:—

‘Again, there is banker’s credit already available for farmer—banker’s credit of a kind. Not the free, ready credit always obtainable as a matter of course, and always to be depended upon, such as the trader may claim, and does not claim in vain; but an occasional loan on “character”—or rather on the security of property which the farmer is supposed to possess, or on standing crops—credit which is intended rather to help the borrower out of a difficulty than to supply him with the means for engaging in some profitable enterprise.

‘There is always a smack of favour about this kind of credit and a suspicion of embarrassment. It seems to cut a notch into the borrower’s financial reputation. In any case, it is a matter of bargain and negotiation, to be treated for in every particular instance, granted for a certain length of time, stated or understood, and is, accordingly, resorted to only in the hour of need—very often when credit comes too late to be of any use. It is a specimen of what M. Léon Say has well stigmatized as “illegitimate” credit—“consumer’s credit,” M. Leroy Beaulieu calls it—credit given to meet expenditure already incurred, credit which accordingly cannot yield a profit; as contrasted with “legitimate” or “productive” credit, credit given for a purpose of production, which may, if judiciously employed, assure a gain.’ (People’s Banks, page 65.)

Again:—

‘I come back to the question which I asked above: Why cannot ordinary credit provide for the farmer what he needs?

‘There are very potent reasons, one of which the president of the Imperial Bank of Germany, Dr. Koch, made very clear when speaking upon the subject of credit to agriculture not long ago in the German parliament.

‘Returns,’ so he says, ‘are in agriculture incomparably slower than in trade and industry. As a rule, it may be said that a twelvemonth is required for turning over a sum invested. If there should be a failure of crops, or any other misadventure, one year may not suffice.’ Dr. Koch quotes Professor Marchet as laying down in his standard book on “Agricultural Credit” that the farmer is not in a position to repay his debt till after the close of the “period of vegetation,” and that at that point of time he can repay it only on the supposition that his new harvest should prove adequate for making good the deficiency of the last. That very uncertain factor “nature,” so Dr. Koch observes, “enters into the calculation. It is from this cause as well, and not only because the turnover is in agriculture so much slower than in other callings,” that the difficulties arise. The Imperial Bank of Germany, so Dr. Koch went on to explain, “an institution corresponding in importance in Germany to what the Bank of England is among ourselves—advances to agriculture in the course of the twelvemonth not less than £12,000,000. Generally speaking, he added, the farmer who bor-