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FARMERS NEED *CAPITAL* NOT *CREDIT.*

All of the muddle thinking about the nature of the credit needs of the farmer has not been done by the farmer. As a matter of fact, the scheme proposed by the cattle industry as the frame work of a credit plan for financing its needs appears to be both sound and practical, and what is more important, self-reliant. The cattle industry is not asking Governmental aid; it is merely asking the Government to give a legal status to the machinery which it is proposed to use in putting the industry's credit scheme in operation. The scheme itself will be financed by the investor and the cattle industry with the aid of the banks in the cattle country which feel disposed to take a hand in putting the plan over. In outline, the plan proposed by the American National Live Stock Association contemplates the formation of Federal charter regional loan companies, having a minimum capital of $250,000, which shall operate under the supervision of the Comptroller of the Currency and which shall be authorized to either sell cattle paper in the open market, issue debentures, or rediscount with special rediscount corporations also operating under Federal charter. In addition, the plan provides for a licensing system for inspectors under the supervision of the Department of Agriculture, *these inspectors being charged with the duty of guarding the character of the live stock representing the security for the loans.* The debentures which may be sold by the regional loan companies are to have a maximum maturity of three years. The long credits necessary for the cattle industry have led to assertions that *what the industry needs is capital and not credit.* As a matter of fact, the industry is asking for simple credit, its needs in this respect being identical, except in point of the time of the running of the loans, with the needs of other productive industries. The duration of a loan is not the determining factor as between *credit for productive purposes* and *credit for capital purposes.* A loan is credit, in the sense of commercial and productive credit, *when it is liquidated out of the gross receipts from the sale of the product which either directly or indirectly secures it.* The duration of the loan, provided the term is customary and the credit machinery is adjusted to it, has nothing to do with determining the character of the loan. Commercial credits, farm credits, or any *productive credits* can be erected on a reserve basis, without producing inflation. *Capital credits cannot be arranged on a reserve basis except at the cost of inflation.* The reason for that is that capital is surplus production—savings. Its possessor have a right to command existing goods, the consumption of which they have deferred, and when capital credit is manufactured there is an increase in the rights to command existing goods but no corresponding increase in the goods themselves; result: competition for the goods and depreciation in the value of the "rights"—hence inflation. Long-term productive credits require relatively more actual capital as a reserve basis for such credit, but that is the most important difference between short commercial credit and long agricultural credit. The agricultural industries must either accumulate the necessary reserve capital, as the manufacturing and commercial industries have, or devise securities which will prove attractive to investors.—*American Exchange National Bank.*

NEW AGRICULTURAL CREDIT.

Following the suggestions of the governors of the twelve Federal Reserve Banks recently in conference in Washington, the new intermediate credit department set up in the twelve Federal Land Banks under the Act of March 4, established a uniform rate of 5½ per cent for rediscounting farm paper, *which will mean that borrowers must pay 7 per cent.* For the present, the maturity of the paper to be handled is limited to nine months. The Farm Loan Commissioner anticipates that the 5½ per cent will have the effect of cheapening the commerical rates now being charged to the farmers which, according to first estimates, *vary from 6 per cent to 24 per cent in the different parts of the country, averaging about 8 to 12 per cent.—Irving National Bank Circular, April 1923.*

NOTICE.

James Alexander Pickering would like to know the whereabouts of his brother Alphonso Pickering. He is a son of Susanna Flint and Ernest Pickering. Last address was Cape Haiti.