

## Land Credit

*Rural Credits*, by Myron T. Herrick and R. Ingalls.  
New York: D. Appleton & Co., 1914. \$2.00.

IT is not a decade since the American public began to manifest an interest in the problem of supplying agriculture with adequate loan funds. Little by little the idea became current that this is one of the fields in which we stand far behind European countries; pamphlets and reports setting forth European experience are beginning to abound. Indeed, the discussion has already reached the stage of the authoritative treatise; proof of this is the appearance of the book under review. For the work of compiling a treatise on this subject Mr. Herrick is eminently qualified. He understands the American financial situation perfectly, and long connection with mutual savings institutions has familiarized him with the difficulties that retard the development of thrift and cooperation among the masses. He was one of the first in this country to make a political issue of the agricultural credit question, and as Ambassador to France he had exceptional opportunity to pursue his investigations of European experience. One whose work is done under such abnormally favorable circumstances encounters, to be sure, grave danger of being crushed under his own weight of details. Mr. Herrick escapes this danger, though often by a miraculously narrow margin.

Reduced to arithmetic the problem of agricultural credit runs as follows: Why is it that in our best farming sections, loans on good security cost the borrower, in interest and commissions, six per cent (in other sections, seven or eight per cent) while the German farmer in almost any section can borrow at four and five-tenths per cent? Is it because agriculture is a more uncertain venture here, with our droughts and floods and fluctuating prices? It has never been established that the uncertainty of the seasons is greater here than in Germany, and our prices, depending on a world market, fluctuate less than German prices. Is it because general interest rates are higher here than in Germany, as indicated by the fact that we are a nation which imports capital while Germany exports capital? General interest rates are indeed higher, but only by an almost negligible fraction. But in land credit we have a difference averaging two per cent, at least. The conclusion is irresistible that our disadvantage arises mainly, if not wholly, from the lack of such institutions of organized credit as have grown into bewildering complexity on German soil.

It is remarkable how highly the investor values the quality of perfect negotiability. A good railroad bond yielding four per cent will sell at par; an equally secure bond of a small local company yielding six per cent will probably sell at a discount. A capitalist thus is willing to forego one-third of his income for the sake of obtaining a form of investment permitting easy recovery of funds. Now, farm mortgages in America are among the least mobile of investments. They may be sound as gold, but they cannot be sold beyond the circle of those who know the property on which they are based. To transform the mass of farm mortgages into uniform securities having a national market would naturally effect a great reduction in the interest burden upon agriculture. This is, in effect, what the land credit institutions of Europe have done. In the German *Landschaften*, or cooperative land credit associations, the individual member executes a mortgage in favor of the association, which gives him in ex-

by the collective assets of the association and also by the landed property of all the individual members. These debentures sell as readily as government bonds, and hence they bear an extremely low rate of interest. The borrowing member must pay a rate of interest exceeding the debenture rate only by costs of administration, and these costs are but a small fraction of one per cent.

Since land credit debentures always find a ready market, there is no need of fixing a date for their retirement. In practice they are retirable at the will of the credit association. There is, then, no reason why loans should not run for as long a period as the borrower may desire. In our own country farm loans run for periods of three to five years, although there may not be the least possibility that the borrower can pay them off within so short a term. The borrower may, if he chooses, fix a term of thirty years in Finland; in Italy, of fifty-four; in Germany and Sweden, of fifty-six and a half years; in Hungary, of sixty-three years; in France, of seventy-five years. It is hard to conceive how a European farmer could avoid accumulating funds sufficient to extinguish his debt as it falls due. As a fact, foreclosure, so disgracefully common an event with us, is hardly known in the lands of well-organized rural credit.

The key to the land credit situation, according to Mr. Herrick, is the debenture. This, he declares, is the chief if not the only lesson to be gained from European experience. Nevertheless we may presume to extract from Mr. Herrick's instructive pages additional lessons, perhaps not less important than that of the indispensability of the debenture.

However sound financially the European land credit institutions may be, they do not owe their inception to financiers. However advantageous they may be to those who avail themselves of their services, the institutions did not originate in spontaneous cooperative activity. They are the product of self-conscious statecraft, and only late in their history have they manifested a disposition to free themselves from governmental intervention, privilege or subsidy. If land credit debentures have come to be regarded as investments exactly as good as government bonds, this is due in no small measure to the fact that through many decades the government was popularly understood to stand sponsor for them in case of need. This is one lesson from European experience that should be carefully counted.

Again, land credit institutions naturally reserve rights of action in case the land by which loans are secured is permitted to deteriorate or fall into inferior use. Thus a constant influence is exerted in the direction of good standards of agricultural practice. The principles of appraisal, on which the amounts loanable are determined, rest upon productive capacity, not upon speculative possibilities. And this acts as a check on the tendency, so often manifest in American communities, to fix so high a value upon land as practically to put a ban upon purchases and sales.

But most significant of all, the history of European land credit reveals clearly the possibility of employing it for the support of such social institutions as the forces politically dominant may decree. The original Prussian *Landschaften* were designed to give relief to the landed aristocracy, threatened with ruin by the losses incident upon the wars of Frederick the Great. This purpose they did in fact accomplish. The later *Landschaften* and the *Credit Foncier* in France were designed to encourage the development of a rural middle class. What purpose would

*Foncier*, subserve? Eminently that of separating rural interests, not into those of landlord and tenant, but into those of capitalists and entrepreneur. Neither *Landschaft* nor *Crédit Foncier* attacks the problems of the peasant proprietor. But in the late developments, exemplified by the Irish Land Laws, the credit of the state is used to dissolve absentee estates into peasant holdings. With the steady advance of social democracy in Europe, evidences of state aid to institutions furnishing land credit to the man of small means become increasingly frequent; at the same time, institutions furnishing credit to the wealthier classes grow disilluminated of the principle of state aid. Is there no lesson here for us? We do not want a peasantry, nor a rural middle class, nor a landed aristocracy. If we knew what we do want, we should know what kind of rural credit organization to strive for. ALVIN S. JOHNSON.

### More Barry Pain

*Stories Without Tears*, by Barry Pain. New York: F. A. Stokes Co. \$1.25 net.

WERE we to accept his publishers' enthusiastic comment we might well believe that Mr. Barry Pain was a master of the short story rivalling Anatole France, Rudyard Kipling or O. Henry. In actual fact, so far as "Stories Without Tears" show, he writes pleasant little stories, mildly humorous and with as much point as is required by editors of the better class magazines. The best are certainly his studies of lower middle class English life, as in, for example, "The Hero and the Burglar," which rises nowhere above the level of the fifteen-cent magazine story. Occasionally, as in "A Model Man," he attempts characterization, not unsuccessfully. One can have no quarrel with Mr. Pain, who achieves perfectly what he attempts, the production of pleasantly light fiction. His publishers are ill-advised, however, to attempt to place him among the immortals. After all, the hen is as useful as the bird of Paradise and much more suited for home consumption.

### Vizetelly's France

*Republican France, 1870-1912*, by Ernest Alfred Vizetelly. Boston: Small, Maynard and Co. \$4.00 net.

ANY work dealing with the recent history of France is of especial interest just now, in that it may throw some light upon the truly amazing *volte-face* in the national temperament shown, to all outward seeming, since the outbreak of the present war. Now that events have so happily belied the fear, it is not too much to say that the majority of foreign Francophiles regarded the future of her arms with more of fear than of hope. We have heard so much during the last quarter century of the growth of corruption, public and private, within her borders; we have been the unhappy witnesses of so many unedifying "incidents," especially in affairs military; we have always before us the memory of the last great war and of the subsequent Communist outrages. Was it possible that at the call not this time of glory, but of necessity, the France we loved—because of her faults no less than in spite of them—could slough them off and go out to meet her enemy with all the strength of youth and purity and inspiration?

In the dark days of early August it looked as if our worst fears might be realized. Dark stories came from the fighting line of incapacity in high places, of scandalous unpreparedness where all should have been prepared, of hurried retreats when retreat should have been unthought

easiness; the old, too familiar panic cry, "*Nous sommes trahis*," seemed likely to be heard at any moment. Then, almost instantaneously, all was changed; the army found its second wind, threw back its shoulders and set to the work before it with a new and strange imperturbability that foresaw victory; the people at home set their teeth; Paris quieted down into a birthplace of heroes, wrapped the cloak of dignity around its fears, and then—but not before—the invading armies began to fall back. The real France, not the old or the new but the innermost France, had become uppermost. It is only by the study of such books as Mr. Vizetelly's that even those of us who know our France almost as well as we know our own country can appreciate why.

Mr. Vizetelly's several works on contemporary French history all suffer because he knows and has seen and especially remembers too much. He sometimes, that is to say, makes it difficult to see the wood for the trees. His mind is an amazing storehouse of details, some of which obscure the main issues. From his childhood—he was little more than a boy when he went through the amazing nightmare of the Commune—he has seen and known everything and everybody that matters in French modern life. He can tell us the names and describe the appearance and the manners of the habitués of any Paris drawing-room from "*l'Année terrible*" until to-day. Scarcely a minor politician, scarcely even a swindling financier but comes within the field of his microscopic memory. Accordingly, his latest work is valuable as a work of reference, almost as a social guide-book, to be read in conjunction with others of less special treatment rather than for the entertainment of the general. It throws light upon the renaissance of France rather by what it leaves unsaid than by what it says. As Mr. Bodley has shown us, the country's strength is not in her armies, her statesmen or her administrators, but in the "common" people, not the Paris commonalty but the peasantry of France, cool-headed, calm-hearted, bovine.

The world of which Mr. Vizetelly treats, the world of "Affaires Dreyfus" and Panama scandals, the world of the *coulisses* and the boulevards, of ambitious premiers and corrupt ministers, could have done nothing to save France when the hour of supremest need came. Something else was needed, something beyond the calculations of Kaiser Wilhelm and his General Stabmajor. And by the process of elimination Mr. Vizetelly shows us that something.

"Republican France" is a work of value and interest, with one limitation; you should know something of France before you read it.

