GENTLEMEN OF THE PHILADELPHIA SOCIETY FOR THE IMPROVEMENT
OF AGRICULTURE:

I much appreciate the honor of addressing this ancient society and the opportunity to congratulate you upon its useful life of more than a quarter of a century. I think that the field of your endeavors offers to-day more than ever before a range of useful accomplishment of really vital interest to our country. A study of our agricultural and census statistics demonstrates clearly that country is just entering upon the day when a scientifically thorough development of our agricultural resources has become a matter of most urgent importance. We are advancing well in the matter of scientific research and agricultural education. Rural Delivery and Parcels Post will add to the attractiveness of American farm life, although much must be done in this particular direction if farm life is to compete, as it must be made to compete, with city life in attractiveness to modern men and women. Rural and inter-urban trolley lines are doing a good deal in the same direction, although they are probably not an unmixed blessing in that they may make available alike the advantages and the evils of urban centers. The regulation of transporta-
tion is tending to give the agriculturalist a square deal in the shipment of his products. The establishment of municipal markets was aimed at the high cost of living but will undoubtedly tend also to strengthen the position of the
the farmer as a direct seller of his products.

Glancing merely at these phases of the farm problem, of which the members of this society are far better qualified than I to speak, I come to the conclusion that the most pressing work to be undertaken to improve American agricultural conditions is the adoption of a wise system of agricultural credit.

It seems a far cry from diplomacy to agricultural credit. The members of this society have probably received their share of misinformation as to what Dollar Diplomacy means and perhaps I have here an opportunity, in a word, or two, to throw a little light upon the true meaning of that much abused term. Dollar Diplomacy is as old as history. The unfortunate term was coined by newspaper men as an epithet of derision and so persisted that, using the tactics of Japanese Juujitsu, some of us finally embraced it as an honorable motto. Dollar Diplomacy means team work between the Government, the capital, the industry and the business ability of the United States to do all the good they can in furtherance of useful national policies in foreign countries in the development of American commerce and, incidentally, although sometimes primarily, for the good of some nation to which our help may be useful.

I have never heard a rational objection to or argument against Dollar Diplomacy. If Dollar Diplomacy is wrong because it operates internationally, then it will be wrong also for me to suggest that to this undertaking of promptly establishing
establishing a splendid American system of agricultural credit there should be applied the same team work of the Government, the capitalists, the industries and the business men of our country.

The agricultural credit question is now ready to pass from the stage of propaganda to gain popular support to the stage of practical accomplishment. We are rather prone in this country, I think, to have too many separate organizations all working for the same or similar ends. Too much general discussion and not enough prompt application of knowledge gained. As I shall later demonstrate in discussing the model agricultural credit systems of other countries, adequate restriction legislation will be essential to their proper conduct. To secure this it seems to me logical, perhaps inevitable, that the various and separate organizations now supporting this movement shall be amalgamated and that a single plan of legislation shall be mapped out which shall have the undivided support of such a national organisation.

The State Department is brought into touch with almost every conceivable subject by the work of our diplomatic and consular services in making reports of what has been done along any particular line in all the other countries. This task has been performed so it is time for the diplomats to retire from the field and for the legislature, the banker and the farmer to carry the work to completion. Due to the necessity of uniform legi
tion which I shall point out later, the President broached this subject to all the Governors and got them to discuss it at their annual meeting. Before the next annual meeting of Governors some legislative program will undoubtedly have taken shape so that it may be possible to get all the Governors to agree to try to bring about the enactment, each in his own State, of the type of laws recommended. There are many things in which uniform state legislation is necessary. I can easily conceive that these annual meetings of the Governors of all the States may some day develop into what might correspond to a sort of "Council of the Empire," most useful to the nation which, after all, on most public questions has one great common interest.

Agricultural credit is but one portion of the whole problem of developing the nation's agricultural resources. It is, however, one of the most important parts of the problem and, in the United States, it is one that has been too long neglected.

Credit is the motive power necessary in the commercial world of today to drive scientific knowledge to practical fruition. Our farmers have scientific knowledge. Both the Federal and the State Governments have done their work in the field of agricultural education with a thoroughness perhaps not equalled in any other country in the world. Just the other day I received a letter from Ambassador Herrick at Paris, telling of an interview which he had had with Mr. Jennart, the new French Minister for Foreign Affairs, who, as Governor of Algeria, was given the task of
of developing agriculture in that arid land. M. Jemmart highly praised the methods of American farmers and the work done to educate them through our agricultural colleges and Government agencies.

But knowledge alone is not enough. The practical application of scientific methods by the farmers requires the investment of capital, and so the farmer must have credit — abundant credit — and, particularly, credit suited to his peculiar needs. Now, as a matter of fact, the American farmer possesses credit, — potential credit at least, — in great abundance. What is needed is to make this credit negotiable. The market in which the American farmer today borrows his money for the improvement of land is absurdly restricted. Interest rates vary as between one State and another and in all States, practically, they are higher than they should be in view of the excellent security offered by farmers.

As to the personal credit of the farmer, that is, their ability to secure money on short time loans for operating expenses the agriculturist is greatly handicapped by being obliged to conduct his negotiations with a system of banks created and operated entirely with a view to the accommodation of merchants and manufacturers.

The problem of rendering the credit of their agriculturists negotiable and of creating a banking system suitable to the peculiar needs of farmers was forced upon the European countries many years ago. The problem in those countries has been solved.
Systems have been created and tested through all financial crises of a century, and these systems we may take as models in studying the problem for the relief of farmers of this country. A study of these systems through Governmental agencies was ordered by President Taft and has been going on now for more than a year, so that practically all the necessary data are available. In April, under the auspices of the Southern Commercial Congress, a committee of American farmers, bankers, economists and others is to visit several European countries to observe at first hand the workings of these systems. Undoubtedly, when this committee has completed its work, and with the increase in interest and understanding of the subject by the American public, some form of organization will be decided upon to further the legislation necessary to the establishment of agricultural credit systems in this country, and I urge upon the gentlemen of this Society to give their hearty support to this work whenever they are called upon.

The American farmer needs capital for two general purposes for permanent improvements,—irrigation, fertilization and clearing, for instance; and for operating purposes—the harvesting of crops, the purchase of implements and other matters of this sort. To supply farmers with long time funds, it is necessary to provide them with a financial machine which will translate their mortgages into a negotiable bond, similar in form to the bond of a railroad or industrial corporation. To do this here there must be established an intermediary, a company to accept and guarantee the farmer's mortgage and to issue bonds based upon that mortgage. That company will stand behind the bond, and, therefore, upon the
company's honesty and stability will depend the entire success of the system. It is the part of the Government to see to it that these companies are properly conducted.

It is impracticable for me to discuss here at length the details of supervision and regulation necessary to insure the proper conduct of these banks. In the first place, the banks may be either mutually owned by the farmers or owned by joint stock companies. In either case their function would be to accept and guarantee the mortgages of the farmers and to issue bonds based upon those mortgages. The Government must see to it that the total value of the bonds issued does not exceed the value of the mortgages which the bank holds as security for the bonds. Some system of registration must be worked out which will permit of a quick and accurate determination of the value of the bonds issued and of the mortgages accepted. It must be made certain that the land upon which the mortgages are given is fairly appraised and that the mortgage does not represent too large a portion of the total value of the land. The managers of a bank, in the case of a joint stock company, must be prevented from mortgaging property in which they have an interest, with that bank. No loans should be advanced to farmers except upon the understanding that the money is to be expended for development of the land and the law should allow summary action by the banks against farmers who do not live up to their contracts in this regard. These are some of the points with which the Government must deal.

The great utility of the foreign institutions lies in their
ability to make loans to farmers for a long period of years and
to permit the repayment of such loans by amortization,—in other
words, through partial payments, made at regular intervals.
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These features must be incorporated in any system established in
this country for the purpose of supplying the long-time capital
requirements of the farmers.

Above all, it is essential that the laws of the various
States be uniform. The aim of this plan is to widen the market
for the sale of the farmers' mortgages, or, rather, of the bonds
that under the present plan would represent those mortgages.
The wider the market the lower the rate of interest at which he
can secure his funds. Now, to secure this wide market it is
essential to offer a bond that every investor can understand.
The legislation of the various States should be so drafted that
the bonds issued by every mortgage bank or mortgage bond associa-
tion in all States would be identical, at least, in so far as the
rights of the purchaser of that esmeees bond are concerned. If
the investor have to familiarize himself with a bond issued in
Oregon, and with another variety of bond issued in Florida, and
so on, throughout the forty-eight States, a wide market can never
be secured for the sale of such securities. There are, undoubt-
edly, certain local conditions which must be taken into account
in the formation of these banks, but I am confident that due
regard can be given to this point in each State and yet the
bonds issued in all the States will be identical.
from the standpoint of the investor.

The securities of similar institutions abroad have a wide, steady market. They are listed on the great financial exchanges, where they can readily be bought and sold, and, in the smaller demonstrations, they provide the means for the investment of the savings of the farmers themselves, and also those of clerks, workingmen and other small investors. Without uniform State legislation it will be impossible to create a security for the farmer with the extensive market that these securities enjoy abroad, and without such market the savings of the people cannot be made available to agricultural development in even approximately an adequate amount.

For supplying the temporary financial needs of farmers or their short time loans, their personal credit should be made available, and for this purpose another type of credit institution is advisable. In European countries institutions called co-operative societies, in the main, are the means by which the personal credit of farmers is made negotiable. There is absolutely no reason why the American farmer should not be able to borrow on his personal obligation as readily as the merchant or manufacturer. For this purpose European experience emphasizes the utility of the small co-operative institutions, which are composed of immediate neighbors and operated in a strictly limited area. By means of these limitations of membership and field of operations it is possible for the members to be familiar
familiar with the responsibility of each other and to keep track of the manner in which the borrowed funds are used. The wonderful success of these small co-operative credit societies abroad, in a broad way, points out the method to be used in this country to make available the personal credit of our farmers.

It has been said that because of their self-reliance and intelligence American farmers will not submit to some of the conditions necessarily involved in the successful operation of a mutual co-operative credit association. This seems to me to be an entirely illogical assumption. I am convinced that the intelligence of the American farmer will make him all the more willing and more able to adopt any practical method which promises to make it possible for them to secure the funds they so much need to increase the productivity of their land. Although the danger of speculation in connection with the small cooperative credit society may not be as acute as in the case of mortgage corporations and associations, it is hardly less important for the State, by uniform legislation, to assume definite responsibility for their proper organization and operation.

This is a work of the greatest importance to the farmers and the farmers are of the greatest importance to the nation. We began life as a nation of farmers and it has been upon the farmers that the nation has chiefly depended in past times of crisis. Our advancement today is within the cities and not upon the soil. Republics before our own have shifted their strength from their farms
to their cities. We should profit by the history of these Republics that have ceased to exist. In our East we have already the problem of abandoned farms. In the West we have already the vast areas awaiting cultivation. If the farmers can be afforded the capital necessary to the exploitation of these lands the nation will profit both in its wealth and its citizenship.

This plan is simply to give the farmers an equal opportunity to get for themselves what those engaged in other industries now have. It is not a scheme for paternal aid. It is fortunate for the country that the farmers do not need such assistance, nor would they accept it. It is no sop for the shiftless among them. A neglect of their responsibility by those who make use of this benefit will bring swift retribution. But it will make their responsibilities as debtors equitable. It will give them the motive power of capital, which is primarily responsible for the development of our commercial industries. It will give them their deserved share in the nation's economic power.

Although it may seem too good to be true it appears quite clear that by improving the means of production, agricultural credit will give the farmer more to sell and make him richer while at the same time enabling him to supply town-dwellers with his farm products at a lower price than today. But aside from the economic advantage, aside from the benefit as one way to reduce the cost of living, agricultural credit, like everything else that benefits the agricultural population, is of the greatest national importance.
importance because the country population remains the backbone of the nation and the political basis of the nation requires a continuance of the support of the type of Cincinnatus.