

## EXCHANGE WITHIN THE EMPIRE

Suggestion to Centralize Finance Not Likely to Produce Any Result—Trade Cannot be Forced in This Way

BY A. B. BARKER

ONE of the interesting suggestions at the recent conference of the Chambers of Commerce of the Empire was that of a London, England, banker, N. W. Darling, in connection with his plan to stabilize exchange by a concerted movement within the Empire. His suggestions included an increase of the capital stock of the Bank of England from £15,000,000 to £20,000,000, the new capital to be provided by the colonies in varying proportions. The weak point in his exchange proposals, however, was promptly pointed out by Sir Edmund Walker, who stated, that so far as Canada was concerned the geographical position of the country made us financially dependent on New York in the matter of foreign exchange.

The inherent defect of Mr. Darling's scheme, however, was not mentioned, and that is that such action on the part of the colonies would be in direct opposition to their declared policy of managing their own financial affairs. As minority shareholders, their task would simply be to provide the money, and have it managed for them by those over whom they would have no adequate control. What real influence has the minority in any business, except of course the right to criticize, usually without effect? This feature would remain, even if the act of 1844, under which the Bank of England is now working, were adequate, and we have Bagehot's word that the act referred to is so badly conceived that in time of stress it is workable only because it is suspended.

## Centralization Not a Success

The main point of Mr. Darling's plan is to centralize the financial authority in London. This plan in politics proved a lamentable failure, and when applied to business has never been a marked success—in Canada, at any rate—as the controlling authorities were too far away to realize local conditions, and would not delegate sufficient powers to any local body to act freely.

Such a plan might be worked in the case of a country not so highly developed industrially—China, for example—as in this case London supplies all the capital; but for countries like Canada, and the other self-governing colonies, the less the outside authority is in evidence the less the chance of friction. London's pre-eminent financial position was gained by service, and in proportion as she is able to continue to render service her position is secure. It must, however, rest on that foundation, and not on defined authority.

## Finance Must Result From Trade

Canada will gladly co-operate in any movement to stabilize exchange. She must, if her foreign trade with Great Britain is to continue as in the past, but it must be because the trade connection is mutually profitable, not because she is forced to do so by reason of a long-term contract, interpreted by a body the interests of the majority of which might conflict with hers.

These discussions, however, serve the useful purpose of defining the objective arrived at. In the movement towards that objective, however, Canada's right to decide on the plan of action must be uncontrolled by any organization outside her boundaries.

In commenting on the share of their contingent in the late war, a prominent Australian is reported to have said that in the next war in which the Empire is engaged Australia would come in as an ally of Great Britain, not as a colony, and this is a fair illustration of the terms on which any co-operation of Canada in this movement can be enlisted.

It is possible to restrict trade in commodities by import and export duties, but experience has shown the utter futility of trying to restrict the international movement of money when there is a profit in prospect.

## TORONTO LIFE UNDERWRITERS' ASSOCIATION

A meeting of the Toronto Life Underwriters' Association was held on October 7th, the feature being an address on "Income Insurance" by E. J. L'Esperance, manager of the Imperial Life Assurance Company in Montreal. A suggestion made by O. B. Shortly, president, that an educational conference be held in November was unanimously approved, and plans are being made accordingly.

"Unless you are prepared to see that the widow receives an income from her life insurance, or unless there are good reasons why other forms of insurance should be sold, you should sell the prospect income insurance," said Mr. L'Esperance. Only by so doing, he pointed out, can the agent render the utmost service to the policyholder. The speaker also dealt with other sales points, urging that life insurance was such a desirable commodity that it had only to be shown in order to be sold, provided that the prospect needed insurance and was in a position to buy it.

## COMMUNITY LOAN AND INVESTMENT CO.

"Intensive colonization of a practical nature" will be the principal activity of the Community Loan and Investment Co. which was recently incorporated in Winnipeg, with a capital of \$3,000,000 7 per cent. preferred stock and \$1,500,000 non-par stock. The president is Geo. W. Prout, who played an important part in the inauguration of the Manitoba Rural Credits scheme. In a statement to *The Monetary Times* Mr. Prout expressed the opinion that "intelligent and well-directed financial assistance is necessary to successful colonization. He continues:—

"The company is empowered to establish local boards of directors which will look over new business, advise with borrowers and give them, as well as our central board, practical advice. Our local board members will all be shareholders of the company. The company intends to get away from the well-beaten path of the mortgage company, in that it intends to do business with the beginner as well as the man now on the land who is under-functioning, so to speak. Its customers will be got through three channels: (1) The local boards; (2) British agencies; (3) United States channels.

"Its loans to farmers will be on the amortization system at twenty years. It will in most cases purchase the land outright and sell outright to the settler at a reasonable profit, taking a small cash payment down. It will, through its local board maintain a very close relation to the borrower, help him whenever help is needed, advise him when such is required. It will market his produce, if he so desires, and take care of his purchases, if he so wills it, at a minimum of cost. It will in each case make a survey through its local board of a settler's needs and in conjunction with it assist the settler to function at full capacity. Presently we expect 100 such local boards consisting of ten directors each to be established in Manitoba.

"After making some progress here it is our intention to reach out to Ontario and the maritime provinces and duplicate our work there. We wish to be able to settle an incomer in any province in the Dominion.

"The powers of the company are wide. It includes the issuing of bonds. We hope to be able to impress capital that we have got the real solution of the colonization problem and to interest it in the purchase of the company's securities. Already we have advice of over two hundred reliable farmers, now on the land, who need our assistance. We are now investigating these farmers through our local organizations.

"While the company's work will savor of the helping hand, yet no loans will be taken on where the borrower's character and capacity is not proved. The preferred stock is placed at par and pays 7 per cent. The non-par stock is given with the preferred stock by way of bonus, and each shareholder comes in on the same basis."