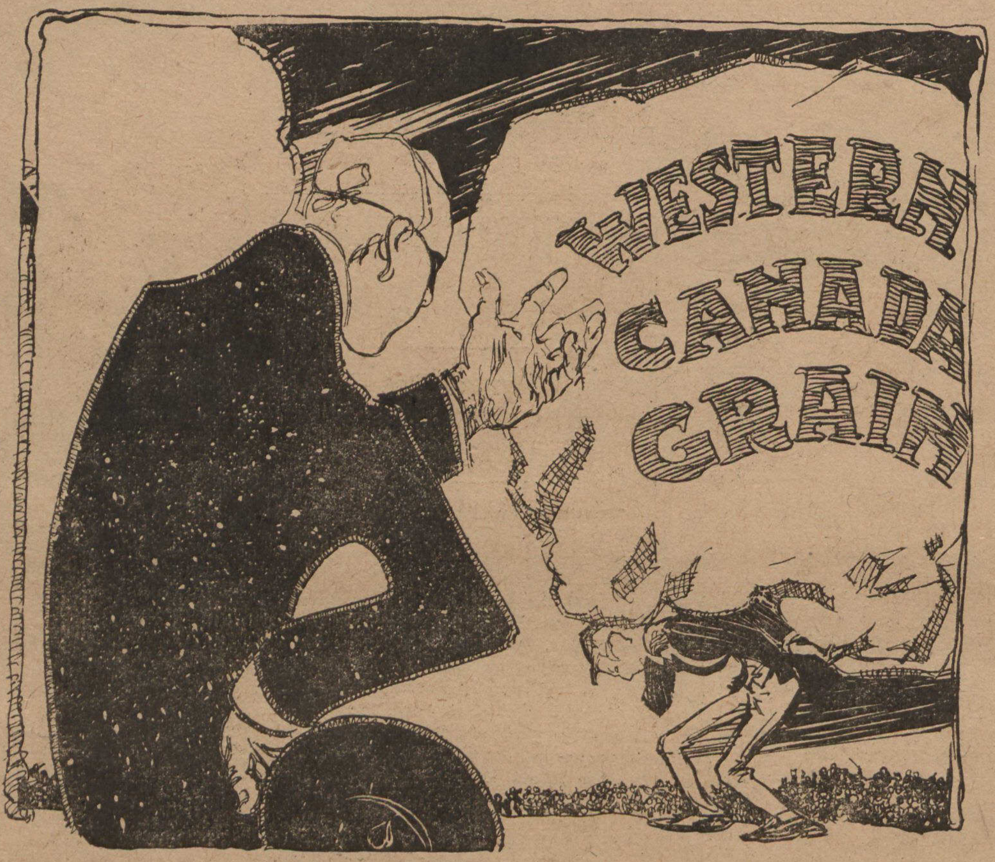
a sudden drop in price may force his creditor to sell out the security.

Suppose the farmer sells his grain, and an elevator company buys it. He has no difficulty in selling, and at the standard price, for the West is dotted with elevators. And every elevator, until it is filled to bursting and there are no cars available to ship out wheat, stands ready to buy all the grain that is offered. If the farmer does not like the price on the day he brings in his grain he may store it for one day or for as long as he likes, and whenever he demands it, the elevator will take it over and pay the ruling price for the day of sale. But now the elevator company must worry about the fluctuations in price. It has bought, say, a thousand bushels of grain at a point a thousand miles west of Fort William, to which point it must be carried before the company can turn it over. It may take months to get it there, and in the meantime there may be a tremendous swing in the price of wheat. If wheat goes up there is a great profit to be made, but look at the risk if the price should fall. It might be all right if the elevator company had bought that grain with its own money, but it hasn't. The company has not got that much money. It has bought with the money of the people of Canada, advanced through one of the chartered banks, and the banks are not taking any chances of having their money lost. So at once the company sells, not the grain itself, but a promise to deliver that grain in Fort William in October or December or in May or in July. But if the price should rise in the meantime will that promise be kept? It is necessary to have a guarantee, and the guarantee is given by the whole grain trade, by the clearing house of the Grain Exchange. The clearing house makes good its guarantee from day to day. If you have contracted to sell a thousand bushels of wheat in May at $2 a bushel, and the next day the price of May wheat rises to $2.10, you have to pay that ten cents into the clearing house on every bushel. The clearing house, having no use for the money, pays it over at once to the man on the other end of the transaction. Or, should the price of May wheat drop to $1.90, the clearing house will pay you ten cents a bushel for your bargain, and take it out of the other man. The clearing house is willing to assume that on any day you will be able to deliver the stipulated quantity at the ruling price for that day, but it does not take any further chance on your solvency.



"That weight is too much for you," he says to the trembling market.

BY thus selling for future delivery in Fort William the wheat it has bought that day in the country, the elevator company has passed on the hazard of price to someone else, for the price paid in the country was based on the prevailing price for future delivery. Now the man who is going to handle that wheat next May or next December is just as wary of that price hazard as is any one else. If he is a miller he will not buy unless he can contract to sell a corresponding amount of flour at a corresponding price. If his business is exporting grain to England he will have to sell grain at a corresponding price on the Liverpool market. And the man in Liverpool must correspondingly protect himself by sales to the millers and the English millers by contracts for future delivery of flour. The ultimate baker, you see, is willing to contract a long time ahead for his flour, taking the chance that later he might be able to make a better bargain, serene in the consciousness that if there are any losses he can take them out of the ultimate consumer. The pure theory is more nearly correct at the present time than in normal times, because it seems as if the British Government, in the role of Ultimate Baker, is willing to contract for any quantity of flour to be delivered to it in the future. Ordinarily, the facts are somewhat behind the theory. When Western Canada pours its hundreds of millions of bushels on the market, a corresponding amount of flour is not at once contracted for. There is a burden on the market that it cannot of itself manage. The market, trembling, breaks beneath the load, the price of grain drops down below the ruin point for the farmers. It means cheap food this year, perhaps, but famine next, for the farmer will not raise wheat at such prices. But stay; we are saved. Enter the mysterious stranger whom no one knows or no one will recognize. "That weight is too much for you," he says to the trembling market. "Let me juggle part of it for you." And he does take it, and does juggle it, and the market, relieved of the weight, goes on about its business. And the price of grain falters but little in October, when the flood of grain commences. The farmer is saved and the sale of pianos and automobiles in the West may continue. And the modest, mysterious stranger makes his bow and removes his mask for the moment. It is the Speculator.

In the pure theory of the Future Contract the currents of speculation are drawn off harmlessly into the body of the Ultimate Consumer. No one cares what happens to him; indeed, why should they? because, after all, he must bear the burden some day, whatever comes. Fortunately for the Speculator you cannot draw off those currents entirely in that manner, and so he makes his entrance, offering to let them play round his devoted head while he helps support the burden of the market. So he buys grain he never expects to see with money he does not own, and sells it again, sometimes before it is sown, for money he does not get. But he performs a real economic service for all that. He takes the risk. He relieves other people from worry. The elevator companies may buy with an easy mind, sure of being able to sell again. The Speculator insures their bargain for them. If the price of your wheat goes down ten cents a bushel he offers to protect you for that amount, provided you will let him have the profit if it should go up instead. The whole business of handling grain goes on undisturbed by market fluctuations when the Speculator assumes in his own person those speculative risks, which, as has been said, attach to every bushel of grain.

But who is the Speculator? Sometimes he is the farmer. It is considered sound practice in the West for a farmer to thresh and sell his grain as soon as possible after harvest. He gets his money, pays his debts, and with a portion of the surplus he buys on margin an equivalent quantity of wheat for delivery in December or in May, which, of course, he expects to sell later. He can afford to take the risk of loss in value on his own grain in return for the chance of profits. It is sound business, except that the farmer sometimes thinks that is an easier way of making money than toiling in the fields, and he goes into the business more deeply. He is exposed to loss greater than he can afford, and that loss often comes. Don't think for a moment that it is only the sophisticated man of the city who knows how to trade in futures. The brokers' rooms in the winter are crowded by men from the farms. Some of them have got rich on their neighbours' wheat as well as on their own, and some of them have managed to lose most of the proceeds of their own.

THEN there is the Dealer. He is supposed to run his business without the speculative hazard, but on a rising market there is a great temptation to forego the insurance of "hedging," and take advantage of increasing prices. Then there is the professional trader, the man who buys or sells from moment to moment endeavouring to anticipate the fluctuations of the market. And lastly, there is the man hated of all except the broker who gets his commissions, the rank outsider. All these others study conditions more or less and at least have some basis for their judgment of what prices should be. But the rank outsider without any basis for his opinion jumps into the market and buys or sells and thereby greatly confuses things. If the traders are right in their judgment to-day that two dollars is a fair price for wheat, how is it possible for the price to jump ten cents to-morrow, and drop again six cents the next day? The trade apparently does not know its own mind, for fundamental conditions do not change as rapidly as that. Some one is likely to come along and accuse it of not knowing its own business. This is the speculator that the grain trade does not like, the one they want to eliminate. True, he usually loses his money, and it goes presumably into the business for the enrichment of the knowing ones. But they do not need it there. There is enough value in the wheat of the country without bringing in that outside money.

Does this organized speculation increase the price of wheat? Of any particular crop it undoubtedly does. But you cannot arouse any clamour in this country about gambling in the people's grain. We are a country with wheat to sell, and we want to see the market kept up, even at the expense of paying a trifle more for the two-pound loaf, or finding that loaf shrink to twenty ounces. The farmer feels no indignation when he comes to Winnipeg and sees the expensive automobiles that the professional speculators keep up. He may think they make their money more easily than he can out of wheat, but he does not think it comes out of him. Nor has the consumer a real grievance. The raising of wheat on the grand scale is dependent on the existence of a ready market, and without this organization of speculation you cannot have a ready market. And with the ready market gone, there would be less wheat grown, and eventually a higher price.

And so when you read that they are going to abolish speculation in wheat, you read an absurdity. The speculative feature is an essential part of the ownership of every bushel of grain. What can be done is for the Government to become the Grand Speculator, and by expropriating the whole crop, eliminate trading. But it still has to take the risk itself that by different measures through the regular channels of trade it could have got its wheat cheaper. The truth is that speculating in grain, taking the risk of ownership, is an economic function, one which, we must admit, in times like this when the price of wheat rises higher and higher, is exceedingly well remunerated.