

SASKATCHEWAN'S DRASTIC PROPOSALS

The report of the Royal Commission appointed by the Saskatchewan government to investigate agricultural credit, raises far more serious matters than the granting of loans to farmers. The commission recommends the formation of a co-operative mortgage association which will raise funds on mortgage bonds to be guaranteed by the provincial government. The word co-operation to many has become one of magic and is frequently used in a wrong sense. For ten farmers to combine to obtain a mortgage loan of \$5,000 for which all of them are liable, the money to be raised on the credit of the province, is by no means co-operation in its strict sense. It means that the farmer wants to lift himself by the strength of Saskatchewan's credit. In British North America the proud boast is that every man is resourceful and stands upon his own feet. The Saskatchewan proposal makes local associations of ten members united on the basis of joint and several liability for the mortgage loan. In brief, the businesslike, progressive farmer in the circle of ten, will have to share the undesirable results arising from the lack of responsibility in a ne'erdo-well. The liability of individual members will be limited to an amount not more than 50 per cent. greater than the amount of his loan. In other words, if his share of the mortgage is \$1,000, and something goes wrong with one of the other members, his liability is limited to \$1,500. One would imagine that this provision alone will be sufficient to show the Saskatchewan farmer that there is more gilt than gingerbread in the Royal Commission's proposals.

When the Saskatchewan government guaranteed credit to the co-operative elevator system, they commenced, we believe, with a comparatively small sum. This has now grown to many millions. There is no reason why it should not expand very much further. Indeed, the logical conclusion is that one day the Saskatchewan government will finance practically the entire crop of the province. The municipalities are now asking the government to guarantee their loans. Finally, perhaps not finally, the farmer is being told that he can obtain money at a low rate of interest (we believe it is not suggested that the rate can be reduced from 8 per cent. to less than 6 per cent.) by a new scheme, a scheme which undoubtedly will strain the credit of the province.

The Commission's report says that the farmers of Saskatchewan are paying interest on at least \$150,000,000. Under the proposed system, that sum would probably be increased greatly, and in years to come the peopling of Saskatchewan would mean a far greater sum involved than \$150,000,000. If the Saskatchewan government guarantees bonds for the purpose of advancing funds, say, first to two hundred farmers, it is natural to expect that the system will grow, just as the grain elevator system is doing, and consequently the Saskatchewan government will be called upon to guarantee many millions of bonds. Those who are handling the provincial finances know well enough what effect this would have on the credit of the province. The farmer, by the proposed plan, is to a great extent to raise money on the government's credit, instead of on his own credit.

The farmers who complain are not usually those who run their farms in a businesslike way and have their properties mortgaged to a legitimate extent. The class which complain most are those whose farms are already over-mortgaged and want still more credit. It is often forgotten that a borrower must have a proper basis of credit, no matter whether he is a farmer or a manufacturer. If a farmer comes to a bank with a statement showing his property mortgaged to the hilt, with long-standing debts to tradesmen and implement companies, and current crop in poor shape, he will not claim, surely, to have any legitimate basis of credit. He need only compare conditions with those of the farmer whose

property is mortgaged, say, 40 per cent., whose debts are few, whose reputation in the community is good, whose farming methods are thorough, and whose crop is ready for shipment.

If proper co-operation among the farmers could be obtained by long-term mortgages at low rates of interest, *The Monetary Times* would be the first to give its hearty support to the scheme. If the commissioners gave proper attention to matters in Europe, they found that this desirable condition existed where there was not only a borrowing class but also a lending class in the same community. This is not so in Saskatchewan but, according to the commissioners' proposals, the breach is to be bridged by clinging to the credit of their province. Obviously that is a very serious matter for the province.

The Saskatchewan government should look further afield than the provincial arena of politics and votes. Their money comes chiefly from the British money market. *The Monetary Times* doubts very much whether the British money market will view this latest proposal with approval. Any number of Utopian ideas cannot change the basic principles of money lending and money borrowing. If the Saskatchewan government tries the land-bank experiment, it will probably learn that fact in the school of experience.

SMALL CHANGE

Market report: money continues firm. Agreed, unanimously.

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Taxation in Great Britain and the United States is driving capital into Canada. Moral?

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A contemporary says "let us give business a rest." It would seem that business is giving us a rest.

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Union Life financing was the nearest possible approach to a bicycle successfully crossing a picture wire.

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Hamilton complains that latest issue of stamps won't stick—chance for the Liberal party to give something a good licking.

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Second strawberry crop reported at Sarnia, Ontario, and first blizzard crop in the United States. How times have changed!

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Chicago will use the operating knife to eliminate criminal tendencies. Canada might use it similarly on overcapitalizing financiers.

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To ask nine provincial premiers assembled at Ottawa not to talk politics would be as successful as a request to the office boy to study Algebra at a baseball game.

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The Toronto World says Home Smith has mesmerized The Telegram and The Star says The Telegram has magnetized Controller Thomas Church—a pretty good example of the freedom of the press.

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Oakville, Ontario, has also experienced difficulty in selling debentures. Says a local paper in calling for a new mayor, "What Oakville needs, is a man that leads, and shows the way to all others; but the little boy blue, if the story is true, fails to finance our debentures." Who would care to underwrite the poet?

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The proverbial biscuit this week goes to Alderman Morley Wickett, Toronto, who in recommending Professor Wright for city architect, said: "He is first of all an organizer. When things were not going well at the University a few years ago, Professor Wright organized that great rugby team which was the best Canada has ever seen."