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Production Rather Than Construction

THAT has been the policy of Nova Scotia, with the result that the Province has stood the strain of the financial stringency better than any other part in Canada.—Mortgage Lending in Nova Scotia.

By F. B. McCURDY, M.P.

FIFTEEN years ago the investment situation in Nova Scotia was of practical and immediate interest to all Canadian life insurance companies, and also to British and United States companies doing business in Canada. It is not so to-day. The interest of life underwriters in the province may be as great as it ever was, but the direct interest of the companies themselves, financialwise, has changed.

At that time, the life insurance companies found investment for a considerable portion of their funds in the purchase of the bonds issued by our province, cities, counties, and towns, and the purchases of such securities by these companies was the base on which investment values for the province rested, and governed the ruling interest rate. Such a condition has, however, long since disappeared.

The opening and exploitation of the great Canadian West has created a demand for capital at abnormal rates of interest, and Western issues have accordingly absorbed life insurance funds which formerly found their way into our market. Those responsible for the investment of life insurance moneys have paid more attention to the high interest yield than to a careful Dominion-wide distribution of their loan risk, and not only so, but concurrently local banks, of which five were a few years ago centred in Halifax, have not only largely ceased investing in the securities mentioned above, but they, and the bigger banks into which they were merged, have withdrawn a large part of their funds formerly invested in the bonds of cities, towns and municipalities of this province.

With this all-important insurance and banking support withdrawn, one would have expected a slump in values much more pronounced than has occurred.

A depreciation has taken place, but not to the extent anticipated. The interest yield on bonds issued by cities and first-class towns in the province has risen from the 4 per cent. of fifteen years ago to the $4\frac{7}{8}$ per cent. and 5 per cent. of to-day, or an appreciation in the interest yield of something less than 25 per cent. A comparison with prices ruling in other provinces of Canada will show that, with the exception of New Brunswick, where similar conditions exist, there has taken place less of a fluctuation than in any other province of Canada.

Nova Scotia has, with one or two exceptions, no cities of sufficient size to attract investment purchases in their bonds from overseas, and has consequently been driven to depend on local capital to supply the borrowing needs of cities, towns and municipal bodies, and to care for the sale by banks of a part of their investment holdings.

The stability of the market in the face of these facts and the financial strain and increased value of money during the past few years, demonstrates the fundamental financial soundness of the province. It is my opinion that fundamental conditions are as sound to-day in Nova Scotia as in any part of the world. The production of wealth in the maritime provinces has always greatly exceeded consumption, and this surplus has been piling up year after year as a great cash reserve.

In a period when serious depreciation has been occurring in the securities issued by municipalities, and particularly smaller towns, the cash savings in Nova Scotia have been sufficient to not only absorb the municipal offerings in the province, but substantially to increase the amount of savings deposited in chartered banks, and utilized for loan in other parts of Canada, where the demand is insistent and interest rates high, but also to increase substantially the amount of money invested in life insurance endowment policies, as I am sure a reference to the records of such companies will demonstrate.

Concurrently with the above, mortgage lending in Nova Scotia by outside capitalists and companies has practically ceased. All moneys needed on mortgage within the province have, generally speaking, had to be found locally, and the accumulation of realized wealth in the province has also been able to look after such loans without an exorbitant advance in the rate of interest. During the financial strain of the past two years, now happily passed, money on first-class mortgage loans has always been in supply at 6 per cent.

A considerable amount of money has also been at the same time invested in securities of a more speculative nature, such as manufacturing and other enterprises. The subsequent lack of success of a number of these means, of course, a lock-up of capital, and will also have the effect of driving money in the immediate future more largely into investments in municipal bonds and soundly based public utilities securities in the province.