

# The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIII. No. 11

MONTREAL, MARCH 14, 1915.

Single Copy 10c.  
Annual Subscription \$5.00

## Co-Operative Land Banking.

The disposition of the Government, expressed by the Minister of Finance in the course of a recent debate, to consider the question of co-operative banking in the interests of the agricultural community, brings to the front a subject which hitherto has not attained to much prominence in Canada, although at Levis, Que., there is an institution of this kind which has been in successful operation for many years. Elsewhere, both in the United States and in Europe, elaborate systems of land banking are now working, and there is not wanting the material for a thorough study of the matter in all its aspects. Obviously, if anything of this kind is to be introduced into Canada, the transplanting of one of the existing systems to this country will not be sufficient; there will have to be modifications and innovations in order to meet our unique circumstances. These circumstances are unique in more ways than is, perhaps, sometimes remembered. For instance, under the German system of co-operative credit, land-owners frequently associate themselves to negotiate loans on their joint personal security or upon a collective mortgage on their lands, while the operations of individual land banks are often confined to a circumscribed area. The effect of both these arrangements is that all the people interested in the respective ventures are acquainted with one another, and the community eye is kept wide open to see that the individual spends his borrowed capital wisely and in a manner which will produce results. An arrangement of this kind may work well with the docile German temperament, disciplined by many years of military training, but would the Canadian agriculturalist, free and independent as he is, "stand for it"? This point, raised in the *Toronto News*, is merely cited here to show that in the introduction of a far-reaching system of co-operation such as is suggested, something more than purely economic circumstances will have to be considered. After all, the success or non-success of a movement of this kind in a new field can only be proved by actual experiment. The passing of the necessary legislation will be the easiest part of the work.

One of the difficulties which those who engage on a scheme of this kind are likely to encounter, and

this especially perhaps in the West, will be that of excluding from the benefits of a co-operative land banking system, the mere speculator in lands, and the town-lotter. That the farmer should be able to secure for legitimate purposes credit as cheaply as possible is desirable, both as a stimulus to agricultural development and, possibly, as a contribution to the solution of the problem of the cost of living. On the other hand, it is emphatically necessary that the town-lot booster, the seller of acres of lone prairie and bog at city prices should have no further credit facilities extended to him. The Canadian banks appear lately to have been successful in curtailing the amount of funds devoted in Western Canada to the purposes of real estate speculation. This fact possibly accounts to some extent for the howls of execration directed at the banks, which come from the West at intervals. But undoubtedly the work that the banks have done in the direction mentioned has been for the general good of the country, curbing rampant speculation that might have developed unmanageable proportions, if allowed free rein. If the land boosters are to secure any help from the new movement, it will be far better that it should not be taken in hand. An essential feature of any scheme of the kind is that it should exclude absolutely the mere land-speculator from any share in its benefits.

What will be the effect of the inauguration of a new system of this kind upon existing institutions already in the field? If the example of Germany were followed and local co-operative agricultural banks established, who would obtain their loaning capital in part from the savings of the community, such an arrangement would possibly affect the ordinary banks' deposits though proportionately, probably not to a very great extent. The growth in public confidence of new institutions of that kind would naturally be a matter of time. With regard to loans, the new institutions would probably come more into competition with the loan and mortgage companies and the life insurance companies than with the chartered banks. Against this new competition, however, would be set the fact that rapid settlement and development, in both Eastern and Western Canada will probably continue to absorb for many years as much capital as is forthcoming, at rates not unsatisfactory to lenders.