

PROVINCIAL SECURITIES AND BRITISH TRUSTEE LIST

Will Any British Government Undertake the Necessary Legislation?— Canada's Case is a Strong One

The pamphlet recently issued by *The Monetary Times* regarding the proposed inclusion of Canadian provincial securities in the British Trustee list has aroused fresh interest in this question. At the interprovincial conference of premiers and cabinet ministers at Ottawa last month, a resolution was passed, unanimously, asking the Dominion government to co-operate with the provincial authorities in an endeavor to get the Imperial government to extend the list by the addition of Canada's provincial securities. *The Monetary Times* has advocated this for several years, as have also many provincial government premiers and ministers, as well as leading financiers here and in London. The London Financial News, referring to the brochure on the subject issued by *The Monetary Times*, states that it should be useful to the trade and industry committee of the Royal Colonial Institute, who for some time past have been dealing with this subject in consultation with the various governments concerned.

Another financial daily of London, *The Financial Times*, referring to the pamphlet, says that the practical question is: Will any British government undertake such legislation? "As everyone here is of opinion that the inclusion of Colonial Government stocks (on the fulfilment of certain conditions) in the trustee investment list is one of the main reasons, if not the main reason, why Consols have been brought to such a low level," continues our contemporary, "it will probably take a deal of persuasion to carry such a measure through.

To Legislate Away An Anomaly

"The British mind would not worry much over the anomaly that Barbados and Trinidad, and Sierra Leone and Lagos, and Mauritius and other 'colonies or dependencies' within the meaning of the Act are free of the trustee investment list, while such far more important financial entities as Ontario and Quebec and Saskatchewan are not. It would endure the anomaly calmly and with resignation. What is required is to persuade a British government that it is very much to its own interest to legislate the anomaly away."

The same journal thinks that the only step so far in that direction has been taken by the provincial treasurer of Quebec, the Hon. P. S. G. MacKenzie, who pointed out in his budget speech of 1911-12, that great schemes of social reform which must be included in the programme of any British government now wishing to retain power, create immense funds which have to be invested and for which it may not be so easy to find suitable investment as time goes on. Mr. MacKenzie mentions the Irish Land Act, 1909, under which trustees are appointed with power to invest the purchase money received under the Act, and the National Insurance Act, 1911. The latter Act requires that the government and the "approved societies" shall have power to invest in any securities in which trustees are for the time being by law empowered to invest trust funds "or in any other securities for the time being approved by the insurance commissioners."

Enlarge Scope of Trust Funds

"In this latter clause," says *The London Financial Times*, "it is evidently contemplated that the approved societies will desire more freedom than the Trustee Act allows, and the legislator clearly shows himself willing to grant such freedom. This is exhibiting an indulgence towards trustees—approved societies are surely such—greater than that asked for by the Canadian provincial governments. Would it not be a conservative measure

and a sound measure to enlarge the scope of the trust funds marked out by law, so as to include the pre-eminently safe Canadian provincial stocks, and so as to afford the approved societies a wider choice before being driven to apply for the approval of the insurance commissioners for any other investments they happen to fancy, a process which may easily prove conducive to much vexation and loss of time? Legislation in this direction might obviate a good deal of trouble in the smooth working of such Acts as the Irish Land Act of 1909 and the National Insurance Act of 1911, and thus be a distinct benefit to Great Britain and Ireland, as well as to Canada."

Case Is a Strong One

The London Financier and Bullionist, reviewing *The Monetary Times'* pamphlet, admits that the case for inclusion is a strong one, and adds that many, if not all, of Canada's provincial securities are superior in many ways to various stocks in which the British trustee is empowered to invest. Referring to the suggestion of *The Monetary Times* that nothing effectual could be done until the provinces joined forces and made a united appeal to the Imperial government—they have now joined forces—The Financier thinks that even if they made such an appeal the chances of their receiving a favorable response are not very hopeful. Our contemporary continues:—

"The government might sympathize with the demand and admit its justice, but they could not ignore the danger of a further extension of the trustee list. That danger, we think, is possibly exaggerated, for the grand total of Canadian provincial loans does not exceed 100,000,000 dollars, or say, £20,000,000, and such an addition to the list of eligible trustee stocks would be a small one—smaller, indeed, than the additions which are automatically made to it every year by the issue of fresh securities of the trustee class. Nevertheless, in the light of past experience an extension of the trustee list is a task not to be undertaken light-heartedly.

Inflating the List

"In the opinion of competent judges the Colonial Stock Act of 1900, under which colonial government securities were made available for trustees, was a grave financial mistake, excellent as were the intentions of its sponsors. At all events, its effect was to popularize over-sea government stocks, to the detriment of home securities. We do not suggest that the Act was the only, or even the most important, factor affecting the price of Consols, but we cannot help being convinced that it tended, by inflating the supply of trustee stocks, to bring down the average market value of all such investments. That being so, no government can afford to make the position worse by augmenting, even by £20,000,000, the available supply of trustee stocks.

"Possibly, when the financial situation is less strained, and the volume of undigested securities is considerably curtailed, the task of adding Canadian provincial stocks to the trustee list can be undertaken without danger, and without injury to the interests of trustees as a whole. Much as we sympathize with the legitimate aspirations of the Canadian provinces that they should not be debarred from a privilege which lesser states enjoy, we are confident that their grievance could not be redressed at present without inflicting some injury on the holders of existing trustee stocks. At present the credit of Canadian provinces stands high, though naturally it is

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