Alberta

This Section of The Guide is conducted officially for the United Farmers of Alberta by P. P. Woodbridge, Secretary, Calgary, Alberta, to whom all communications for this page should sent.

CO-OPERATIVE LONG TERM LOANS

In my last article I tried to explain the straight government loan, as exemplified in the New Zealand system. In Australia there seems to be a similar system, with the difference that the loans are administered, not by a government office, but thru a state bank. In France, what may be called a joint stock system, with a government subsidy and vigorous government control, has been organized, but it developed serious defects, so far as business with farmers is concerned, and had to be supplemented by other institutions. So far as I have been able to learn, some form of co-operative land mortgage association, procuring its loanable capital by issuing debentures on the security of the lands owned by the borrowers has been the most successful arrangement. The system consists of small groups of borrowers, in which the loans originate, all the groups, say in a province combining for the issue and sale of debentures, by which the capital is raised.

The Saskatchewan Act

The Saskatchewan Co-operative Farm Mortgage Association Act, passed in 1913, but not yet put in force, has for its purpose the organizing of such a system. This act, in my judgment, has some very serious defects which I would not like to see repeated in Alberta, but the framers of the act had evidently come to the conclusion that this co-operative loan principle was the one most suitable to our conditions. And in this I agree with them. This association begins with what we might call a local union, in the Saskatchewan act, of not less than ten members, that is borrowers, for only borrowers are members. Their land is valued, and they can grant mortgages to the amount of forty per cent. of the land value. Loans on mortgages can only be granted for repayment of existing mortgages or for productive purposes, so that every loan has a reasonable prospect to provide for its own repayment out of the object to which it is applied. The Saskatchewan act submits every loan application to the vote of all the members of the group; perhaps a more workable scheme would be the appointment of a small business committee to decide on the application for loans in the first instance, the final decision in regard to the loan would rest with the central management. The repayment would be in yearly or half-yearly instalments, consisting of interest, capital, and enough extra to cover the working expenses, with perhaps a little reserve fund. The principle would be: No profits. The association would be an association of borrowers, combined for the purpose of securing the cheapest money, and charging only what the borrowing really costs.

Collective Liability

Combining to secure the cheapest money of course means combining to offer the most perfect security. This means the collective liability of the borrowers, that is, every borrower must be liable not only for his own debt, but also for the debts of his fellow members, either entirely or to a limited extent. The Saskatchewan act limits this extra or collective liability to fifty per cent. of one's own debt. As this "collective liability" at first sight will not look very good to my readers, and as it is practically the foundation principle of co-operative credit, perhaps we had better look a little more closely at what it really comes to. I said in my former article that to get cheap money we must give perfect security. The security of the individual mortgage would only give us the present rate of interest. The collective liability makes the loan perfectly safe for the lender, with, I think, a very slight risk for us as borrowers. What is the risk? If a bad debt is made, if a mortgage has to be foreclosed on, and if the property seized and sold does not realize the full amount of the loan, then the loss is spread over all the borrowers in proportion to the amount of their own debt. Now imagine how unlikely it is that any such loss should be incurred. First, the land is to be carefully valued before the mortgage is accepted; second, the mortgage loan is not to exceed say forty per cent. of this valuation; third, the application is to be carefully scrutinized to see that the borrower is a reliable man and that the loan is wanted for a reasonable purpose. How much chance is there that there will be a foreclosure at all, and how much less chance is there that on foreclosure any property should realize less than forty per cent. of its valuation?

Let us suppose an association of one hundred borrowers, representing one hundred farms, valued on the average at $2,000 with an average mortgage of $800. Let one mortgagor fall down, and let his farm be sold for $400, that is one-fifth of its original valuation. The loss of $400 would be an assessment of $4 each on the members. With all the safeguards of the system, could such a loss happen once in twenty years? On the other hand the additional security will take at least two per cent. off the interest, that is $16 annually on the $800 mortgage. It is this collective liability which makes this business so safe for the lender with such small risk to the borrower, because it sharpens the interest of every borrower to see that no wild cat loans are indulged in. In the initial stages of such a scheme and for the first years at least, the assistance, supervision and guarantee of the provincial government would be necessary.

There are, of course, many other details to be worked out, but this article gives the main outline from the borrowers' side.

JAMES SPEAKMAN

PRAIRIE FIRES

We are very glad to give publicity to the following circular just received from the general manager of the Canadian Northern Railway, and to our reply. The subject is a very important one:

Canadian Northern Railway

The attention of all concerned is called at this time to the great need of care with fire.

Canada is engaged in harvesting the biggest crop it has yet produced, and while the fine dry weather is ideal for this work, it is also very favorable for fires. There never has been a time in our history when wheat has been so plentiful or so valuable to the Empire. It is a patriotic duty we owe our country to move this crop with the least possible delay and loss. With such dry conditions we can expect some losses by fire, but with watchfulness and carefulness such fire losses will be kept down to a minimum.

We may not all be able to go to fight in Europe, but preventing fires and conserving the grain for the allies is one of the very important ways we can "do our bit" for the Empire right here in Canada.

M. H. MACLEOD,
General Manager

Winnipeg, Aug. 20, 1915.
General Manager, C.N.R., Winnipeg.

Dear Sir:—I have before me your letter of August 31, containing your circular No. 35, concerning fires. We shall be very glad to co-operate with you in this important matter, and we particularly welcome your co-operation, as many, probably most, of the prairie fires in the vicinity of railways are started by sparks from railway engines.

Yours very truly,
JAS. SPEAKMAN,
President.

DIRECT LEGISLATION

The recent article on "Some lessons from the prohibition vote" has brought me some correspondence. I chiefly tried to show the immense importance of Direct Legislation and the need of amending the present Direct Legislation Act, so as to make it more workable. As I have said several times, there is probably no other subject than prohibition which would so arouse the interest of the people as to enable them to overcome the difficulties of the present act. In our report to the last convention we explained in full these difficulties and the amendments that we required. The petition both for the Initiative and the Referendum is practically an impossibility, especially on account of the distributive clause requiring a minimum percentage of voters in forty-seven out of fifty-five of our provincial constituencies. The proviso shutting out any legislation "which provides for any grant or charge upon the public revenue" must go, and any initiated bill must become law on receiving an affirmative vote, instead of having to go before the next legislative session, as provided in the present act.

The present act provides that if a proposed bill is voted down, a similar bill cannot be initiated for the next three years, but it does not prohibit a petition against it, if the vote has been affirmative. If we lose we cannot try again for three years; if we win our opponents may try again at once. That must be changed.

The Referendum has not been tried yet, and under the present act it is not likely that it ever can be; for Section 3 provides that the legislature may allow the Referendum, which of course practically means that the Referendum can only be taken if and when the government allows it.

I have only mentioned some of the larger amendments that are necessary. We discussed them last fall with Premier Sifton and the whole cabinet, and we got the definite promise that the amendments should be fairly considered after the prohibition vote had been taken. I think Premier Sifton meant what he said, and some of his colleagues, I think, are quite in earnest about the matter.

Opponents of Direct Legislation

But I know there are men in the legislature, perhaps in the government, who are opposed to Direct Legislation, and I had information a little while ago that a determined effort may be made in the next session of the legislature to take the Direct Legislation Act off the statute books entirely, instead of amending it. One objection that will certainly be raised against it will be the expense. I am told the prohibition vote cost the province $100,000, and that Direct Legislation is too costly a luxury to be continued. At any rate it is too costly to have much of it, and it won't do to make it easier. I don't know whether the statement about the $100,000 is true, but if it is, I don't draw the conclusion that therefore Direct Legislation must not be used. But I should want to look into the accounts, to see why it cost more than one dollar for every vote cast, to find out how and where all this money was spent. I fancy a little commonsense and honesty could reduce this bill of expense.

I am frankly putting these things before the unions. This Direct Legislation Act is a very important thing. To get it amended, so that it will work fairly, may mean a hard fight. The executive will do what they can. If you want us to win, get together in the unions and put more power behind us.

JAS. SPEAKMAN

THE CALGARY BOARD OF TRADE

A few days ago I saw a notice in the Calgary papers to the effect that a meeting of the agricultural committee of the Calgary board of trade was to be held to discuss what should be done with the grain crop of the three western provinces, and inviting men interested in the question to attend. As we felt a natural curiosity to learn what some of the business men were thinking of doing with our crops, C. Rice Jones and I went into the meeting. We found the proposition before the meeting to be something like this, that the Calgary board of trade was to memorialize the Dominion government, asking them to try to induce the British government to take over the whole grain crop of Western Canada. What this exactly meant did not emerge in the discussion; small details as to price and other matters were left for after consideration, but if it meant anything it certainly meant that these Calgary business men—I think only three of them were really in favor of it—without consulting or considering the farmers who owned the grain, were asking the British government to seize the crops of Western Canada. An interesting discussion developed. Some very intelligent speeches were made against the proposition, but thruout the discussion it did not appear to enter into the minds of any speaker that the farmer might have something to say concerning the disposal of his own property.

Ultimately I asked for permission to say something, and in the end the proposition was changed to the suggestion, sent to the Dominion government, that as they had urged us on the grounds of patriotism and good prices to raise as large crops as possible, they, the government, might now help us to market them by trying to induce the British government to come into the market for some of our crop.

I took the position that our chief difficulties were caused by our having to force our whole crop into the market almost at once, at any price, instead of being able to store the grain and sell it slowly as it was wanted. This would need financing in two ways: Our creditors would have to be patient in enforcing their claims, and the banks would need to make advances on the security of the grain.

Government Sets Bad Example

The government so far has set a bad example for the other creditors in making arrangements to collect thru the grain buyers and railway companies out of the first sales of the new crop all the advances made to the "dried out" farmers for seed grain, feed grain and food supplies last winter. Already this arrangement has held up the threshing and delivery of binder twine in some places. The government has better security on these advances than any other creditors, having not only a lien on the crop but a first mortgage on the farmers' land. If the other creditors, with less security than the government, follow the government's example, the farmers affected will have to force all or most of their grain on the market at once at the lowest prices, giving them the least money return, pretty well stripping them of the result of the year's labor. I had done all I could in writing to the governments and others, and the Calgary board of trade agreed to send a telegram of protest to Ottawa, for which we owe them thanks. The Lethbridge board of trade had already sent a similar protest to Ottawa, on the suggestion of Vice-President Dunham. I hope the government will have made more reasonable arrangements before you read this.

Mr. Woodbridge has been sick and is in the country recuperating. That is why you are getting such an overdose of my stuff in this Guide.

JAS. SPEAKMAN

PLOT NOT GERMAN—CANADIAN

So far there has been nothing to show that Germans or even German-Canadians had anything to do with the Nova Scotia horse deals. The whole treasonable affair was engineered by loyal, patriotic Canadians, who will doubtless proclaim with pride that they are British to the core, except when it pays to be otherwise.—Montreal Herald.