

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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HARMFUL ALBERTA LEGISLATION

The Alberta government and legislature have gone to an extraordinary length in preventing the collection of mortgage loans in that province. And there is a petition now in circulation, which is being largely signed, calling upon the legislature to enact that during the war it shall be unlawful to collect interest. The war relief act of the province protects from suit a citizen who has joined the local militia. There have been several judicial decisions to this effect. Apparently a man who enlists and is subsequently rejected on medical or other grounds receives the protection of the act for one year. Covenants have been abolished in effect, and borrowers who met their payments regularly until this work of art became law now invite the loaning companies to take the property as they do not intend to make any further payments. This is the province which recently in another case registered a seed grain lien eight years after the grain was supplied against a property which had in the meantime changed hands several times.

The province of Alberta exacts payment of an increment tax on the issue of certificate of final foreclosure to a mortgage of a property against which there are probably hundreds of dollars of charges for the destruction of noxious weeds. In other provinces, there is some limitation upon the authority given to officials for the destruction of noxious weeds, but Alberta has never seen fit to place any limitation on the amount. Seed grain liens are merrily working night and day adding interest charges, and governments seem not to care whether the amount is paid or not. When the quarter section falls into the lending company's hands, the government imposes a surtax or fine because the land is out of cultivation.

Many companies naturally enough have discontinued loaning in Alberta. Some of the companies still have faith that these harmful disabilities will be remedied. The banks and lending companies have given up all hope of the efficacy of persuasion and are now cultivating the

sympathy and support of the farmer borrowers. It is found that they are quick to recognize the effect of this outrageous misapplication of legislative authority upon rates of interest and treatment of borrowers. That lending companies will meet with heavy losses is certain. Even in the event of an immediate reconstruction of this vicious legislation, it will be years before confidence in the integrity of the province is re-established. The pitiful part of it all is that there has been an outbreak in the farming community of the purchase of automobiles and threshing outfits such as has not been experienced for at least three years. If governments will not collect the seed grain indebtedness and legislation is enacted to tie the hands of lending companies and other creditors of the farmer, he sees no reason why he should not treat himself to a few comforts such as these.

LOANS THROUGH GOVERNMENT ANNUITIES

That money should and could be borrowed in large sums by the Dominion through its system of government annuities, was suggested by a correspondent in these columns recently. It was contended that were the government to raise a war loan through the medium of annuities, it could be done on a basis of $4\frac{1}{2}$ per cent. or about $1\frac{1}{2}$ per cent. less than the charge for the large war loans that are floated in these days. The saving effected by borrowing in this way instead of by war loan would therefore amount to more than \$600,000 on a flotation of \$50,000,000.

An examination of our correspondent's plan, which was printed in detail in *The Monetary Times* of August 25th, appears to show that it is quite sound. There can be no possible objection to an extension of the present government annuity system. The chief obstacle to our correspondent's proposal is the fact that when a war loan is issued the money is wanted in a comparatively short time. The pending war loan probably will be for \$100,000,000. Judging by the slow progress made with the sale of government annuities, the obtention of a war loan by this means would undoubtedly take a long while. The government annuity system was inaugurated in 1908. To date only \$3,100,000 has been taken as payments for annuities; or, in other words, that sum has been borrowed by this means from the people of Canada. If it has taken nearly eight years to obtain \$3,100,000 through the medium of annuities, how long would it take to obtain a war loan of \$100,000,000 in a similar way, even were considerable time and energy given to pushing the annuity scheme?

Again, there is considerable doubt as to whether a large loan such as \$100,000,000 could be raised on a $4\frac{1}{2}$ per cent. basis. As the market is at present, the rate would probably be not less than $4\frac{1}{2}$ and probably 5 per cent. The experience of insurance companies, we believe, has not been exceptionally favorable in regard to annuities. As a rule, they have been sold with greater difficulty than have insurance policies. The sale of annuities is easier in old countries where large amounts of capital have accumulated. In new countries such as Canada, it is unfortunately true that there is a tendency to speculate rather than to purchase annuities. While we do not think the government annuity scheme can be used to any great extent in raising funds for the conduct of the war, it is obviously advantageous for the government to borrow as much as possible through annuities and for that reason the advertising and educational campaign to that end should be continued and extended.