

# Monetary Times

Trade Review and Insurance Chronicle  
of Canada

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## RECONSTRUCTION FACTORS

The housing schemes of the Dominion and of the Provincial governments can scarcely be called parts of a reconstruction program because they do not make a positive contribution to industrial activity. True it is, the Dominion government offers to loan \$25,000,000 at five per cent. for the erection of houses in Canada, and the provinces are at liberty to supplement this total by such amounts as they see fit. Ontario has already announced a plan, and measures are to be introduced in the legislature within a few weeks. The other provinces will at least pass legislation to enable them to secure and administer their share of the Dominion funds.

This money is to come in the first instance from the proceeds of the 1918 Victory Loan and as it is already apparent that those proceeds will not meet with the 1919 requirements of the Dominion government the money for the housing scheme will in effect have to be raised by further borrowing on the part of the Dominion government. It amounts, therefore, to a transfer of funds from the pocket of the investor to the Dominion government, through a complicated organization in which the Dominion, provincial and municipal governments play a part, until the money is finally invested in a first claim upon farm, town and city dwellings throughout Canada. There is nothing constructive in this; the most that can be said of it is that it is a factor of reconstruction, and that it will probably attract more money into this industry than would otherwise be the case. Other industries, however, will be deprived of this capital so that the net result is not appreciable unless it can be demonstrated that there is some peculiar benefit to be derived from construction work of this kind. It also must be kept in mind that the organization of such an enterprise entails an expense to all the governments concerned quite apart from the financial risk which is involved to the municipalities, and in a more remote degree to the provinces. There is no provision either for the risk or for the expense and unless the funds can be borrowed by the Dominion or by the provinces at considerably less than five per cent., loss is sure to result. As an illustration of the fact that material risk is involved to municipalities, mention may be made of the fact

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that in the case of the widow or other dependents of a soldier, the advance can be made to the full cost of the house. Where such loans are made and are succeeded by a decline in the value of property, the surrender of the title by the owner would in many cases result. Where a proportional investment is made by a purchaser, however, there is less chance of loss on the part of municipalities but in any case the risk and the expense to which they are subject deprives the scheme of any advantage which might be obtained from a supply of money at five per cent. Money rates are moreover declining rapidly and the Dominion government may soon be able to borrow at less than five per cent. with proportionally lower rates for the province and municipalities. When this takes place the Dominion government will be under no expense, but on the other hand such a movement would be accompanied by a decrease in interest rates on first class mortgages so that the advantage of the five per cent. money would be less.

Loaning companies have found a margin of one and a half per cent. necessary for the carrying on of the success of the business. It has been proposed that the money should be reloaned by a province to a loan company or a similar organization which would have the privilege of advancing it at six per cent. to builders. Mr. W. Gillespie, manager of the Toronto Mortgage Company, in speaking about this suggestion said that the margin of one per cent. was not sufficient. A similar opinion was expressed by another Toronto man familiar with loaning operations. "It looks to me," he said, "as if the government were using the taxes paid by the speculative builder to compete against him. There is no person who will go into an investment of real estate of any kind where they are tied down to six per cent. During industrial activity houses may all be rented but when depression comes and the houses become empty where is the company going to be?" The fact seems to be that the principal difficulty in the way of building operations is the high cost of material and labor rather than scarcity of money. There must be a wider margin between the market value of improved property and the cost of the raw materials which enter into building before which construction work will take place. Such reductions are already taking place and considerable building would take place quite apart from the assistance of such a government scheme. The difference between government money at five or six per cent. and private