ning, that a complete statement will be furnished when the legislature meets in the fall.

The province of Alberta also passed an act of similar character. The government, however, had relied on securing the money in the United States, and after the United States entered the war this was no longer feasible. No action was taken, and in this connection the following explanation made by the government is instructive:—

"War conditions and unforeseen developments incident thereto have prompted the provincial government to make a statement of the situation with respect to the operation of the Farm Loan Act.

"The act was passed in April, 1917, and the matter of bringing it into operation has been constantly before the government. It will be remembered that up to that time the United States had not entered the war, and that the American market was then open to the world for borrowing purposes. As soon, however, as the United States joined the Allies, her markets were closed to outside borrowers, with the result that our source of supply—one from which in recent years a substantial portion of our borrowings had been received—was cut off. There remained only the Canadian market, and it is hardly necessary to add that the large requirements of the Dominion government for war purposes preclude our borrowing in that quarter at a rate low enough to make the plan a success.

"The main principle of the Farm Loan Act involves the borrowing and the reloaning of money with a percentage added to cover administration charges, and it will be seen that to insure effective results a continuous supply of money at a reasonable rate of interest is essential. The government has, therefore, determined that in the interests of the farmers themselves the present is not an opportune time to commence the loaning of money under the Farm Loan Act, and it has been decided to postpone its operation until conditions become more normal."

Somewhat later the provincial treasurer, Hon. Mr. Mitchell, again outlined the position of the government in his budget speech of March 21st, 1918, as follows:—

"It is unnecessary for me to make any extended reference to the fact that this government has not brought into active operation what is known as the Farm Loan Act, the act that was designed to give long-term loans to the farmers of this country on the mortgage security of their farms. The reasons why that bill was not proceeded with are quite apparent to every member of this legislature, as they are, I think, to almost every farmer who was interested in this class of legislation. The government saw fit to make a public announcement, setting forth their reasons, and there is no necessity for me to repeat these reasons on this occasion, other than to say that that act presupposed the securing of a continuous flow of money in order that the spread of 1 per cent. which we were charging for administrative purposes might be sufficient to cover the cost of administration. Circumstances arose after the passing of that act whereby we were shut out of the money market that we intended to go to—that of the United States—and a sufficiently large sum of money to properly operate the act in the way it was contemplated is not now available. We could borrow it to the extent of a million or two million, or perhaps three million dollars, but that is not the principle on which that act is based. That act presupposed a continuous supply of money, year by year, until possibly the amount involved would run up to eight or ten million dollars, and then the act would be on a self-sustaining footing. As we all know, it was utterly impossible to provide that amount of money and to get it at a rate that would enable us to add 1 per cent. to it and reloan it to the farmer at a price it would pay him to borrow it."

The other two provinces of Manitoba and Saskatchewan have, in spite of the adverse conditions, pursued the policy as actively as possible. Until an official statement, based on actual operations, has been issued any specific criticism would be premature. There are, however, important principles upon which the acts were based which have been the occasion for much discussion in the provinces concerned.

In the first place, the feeling generally prevails, even among the farmers themselves, that the loaning systems should be operated upon a strict business basis. The scheme outlined by Saskatchewan at least appears to fulfil these conditions, and the government may carry it out. The tendency in government operations of this kind is, however, to neglect certain items of cost which would have to be met were the system operated by a private concern. The item of printing, for instance, may be secured from a public printing service, which is operated below cost, and the deficit from which is met by the public purse; office accommodation and the services of agents and members of the board may be secured at nominal cost. In the case of Manitoba this is quite obviously the case; freedom from taxation, office rent, agents' remuneration and legal fees evidently place the systems upon an entirely different basis of cost from that under which private loan companies operate. This means additional work by the other departments without remuneration, and the cost is finally borne by the general taxpayer. As was recently pointed out to *The Monetary Times* by a Canadian prominent in the loaning field, it is safe to say that the loan systems will increase the cost of provincial government.

Even, however, if every item of cost were included, even an allowance for the expense of the legislative enactment, some consideration should be given to the fact that the province pledges its credit to secure the necessary funds. Provincial credit, it must be assumed, is higher than that of private companies, and the cost of the money raised by the governments is, therefore, less than the cost of that raised by private loan companies. This alone places the provinces in a superior competitive position. It may be argued that this does not cost the government anything. But it does; every increase in the actual or provincial debt reflects on the credit of the province concerned and increases the cost of money borrowed for other purposes. This also must be borne by the taxpayer. The result is, therefore, almost inevitable that agricultural interests are favored by the provision of money at below cost at the expense of other interests in the province.

The net effect of the loan operations has so far not been large. Loan companies have felt the effect adversely, but not to any serious extent. Some funds invested by British investors in the Canadian loan field have found their way back to the United Kingdom, attracted by the unprecedented investment yields there. Investments in mortgage loans in the west by loan companies, life companies and other institutions have fallen off very appreciably during the past three or four years. In addition to the government loaning systems, however, the agricultural prosperity of the west has contributed to this effect, and the funds released have been invested even more satisfactorily in other fields.