portion of the principal will increase the security of each mortgage.

The important objects aimed at are: (1) Ample funds for 5, 10 or 20 years' mortgage investments at low rates of interest; (2) high-class guaranteed farm mortgages; (3) very high-class farm mortgage bank bonds, carrying a low interest because secured by guaranteed farm mortgages greater in amount, held in trust, and, in addition, guaranteed by all of the farm mortgage banks; (4) localizing within each province the interest in, and investments of, that province's bank; and (5) an information department in each bank, intended to spur the farmers into using on their farms the best methods and materials. In normal times these farm mortgage bank bonds would sell on a 4 per cent. to 4½ per cent. basis, and thus enable the banks to loan their funds at 5½ per cent. to 6 per cent.

The use of the word "bank," whilst not implying any powers or liability under the banking act, is advisable in the interest of the farmers by giving them more confidence as borrowers and as shareholders, for all borrowers are required to become small shareholders in the bank; and is also advisable as giving each provincial institution a local prestige in its province with the local government and the people there, both of whom, it is desired, would become shareholders to a large extent.

The bank in each province becomes practically a provincial institution dissociated from politics and party; its shareholders are by preference in the province, except where the Dominion government has supplemented the subscriptions; the local provincial government will be, it is expected, a shareholder; all of the directors reside within the province; the borrowers are exclusively there; and all the proceeds of the bank's bonds are exclusively invested there, and probably the whole of its capital and deposits as well.

The interest of the Dominion government is created by the central board being appointed by the governor-in-council and approved by the senate of Canada, and by the temporary subscription of the unsubscribed balance of each bank's shares, as well as by the annual report of the central board to the senate, whilst the requirement of long successful experience in the mortgage and mortgage bond business on the part of each member of the central board means knowledge and efficiency.

The powers of the central board are those of a body near the heart of finance in Canada, where it can negotiate best with capital and with governments and can deal broadly with questions of interest from time to time, financial outlook, bond sales, at home and abroad, land problems, immigration prospects, etc.

The high quality of the guaranteed bonds makes them valuable for trustees, estates and institutions everywhere.

Corporation to be Responsible

As to the farm loan associations, the possible difficulty of farmers disliking to have their neighbors know the fact of their borrowing will be largely met by the other facts that each, by joining the association, becomes familiar with what the other members are borrowing, that his interest rate is thereby lessened, and that the guarantee of the association and its members helps him to secure his loan. If he still prefers to be independent, he pays a slightly higher rate of interest, and has to pay for special appraisement or appraisements of his property.

It is assumed that the Dominion government, from motives of policy and experience, does not desire to furnish the permanent capital for the loans, nor to take the responsibility of making these loans. A corporation is therefore proposed without any shares of capital stock, but with the directing board appointed by the governor-in-council, the objects of incorporation being: (1) to give more formality and influence to the powers of the central board in its dealings with the province, provincial banks and brokers; (2) to furnish legal responsibility for the central board's acts; (3) to free the Dominion government from all responsibility for management, subordinate appointments, etc.—A. T. Drummond, LL.D., in Monetary Times, April 7, 1916.