

## SASKATCHEWAN'S CREDIT COMMISSION HAS A WORD

### About the "Howl of Calamity From Self-Constituted Advisers of the East"

The following letter protesting against an editorial in *The Monetary Times* of November 1st, under the heading "Saskatchewan's Drastic Proposals," has been received. The signature it bears is A. F. Mantle, honorary secretary of the Agricultural Credit Commission of Saskatchewan. We assume, however, that Mr. J. H. Haslam, chairman of the commission, was consulted when the latter was drafted.

"You state that for ten farmers to combine to obtain a mortgage loan of \$5,000 for which all of them are liable, the money to be raised on the credit of the province, is by no means co-operation in its strictest sense. This sentence contains at least three misstatements, which is scarcely to be commended in a Canadian financial journal purporting seriously to discuss the findings of a Canadian commission on an important aspect of Canadian finance.

"1. It has never been suggested that ten farmers shall all be liable for a loan of \$5,000. Sections 7 and 10 together of the commission's recommendations make it clear that the suggestion was that borrowers or members be organized into local groups each comprising at least ten members the aggregate of whose loans should be at least \$5,000.

"2. It is not proposed that the money be raised on the credit of the province. It is specifically recommended that the funds be raised on mortgage bonds issued by the association. Surely bonds based upon first mortgages received as security for loans not exceeding 40 per cent. of the value of the farms have some intrinsic value independently of the provincial guarantee! If not, what security is behind the \$65,000,000 already loaned in a similar way, and what security is behind the provincial guarantee itself which depends solely upon the legislature's power to tax these same lands?

"3. For farmers to combine in the manner and for the purpose suggested is co-operation in its strict sense. Co-operation is variously described as, operating with others for a common end, to labor in conjunction to promote the common advantage, to unite in promoting the same object. Do you contend that what would be co-operation were there no provincial guarantee ceases to be co-operation when that guarantee is used to supplement local effort? If not, just what do you mean?

#### First to Approve Each Other.

"You say the Saskatchewan proposal makes local associations of ten members united on the basis of joint and several liability for the mortgage loan. In brief, the businesslike, progressive farmer in the circle of ten, will have to share the undesirable results arising from the lack of responsibility in a ne'erdo well. I will admit, if you like, that the wording of section 7 of the commission's recommendations is not altogether happy, but, when considered in conjunction with the other sections does it justify the deduction you make from the execrable sentence in which you re-state it? Seeing that the members of a local group are first to approve each other, and that the group is to be formed by mutual consent, has the businesslike, progressive farmer not a good opportunity to see that he co-operates only with farmers like himself and not with the ne'erdo well?

"In a vain attempt to elucidate an elementary detail of financial organization you sink further into the mire of loose expression by saying in explanation of the Commission's recommendations as to the contingent liability of a member.

"In other words, if his share of the mortgage is \$1,000 and something goes wrong with one of the other members, his liability is limited to \$1,500. May I assume that by something going wrong you mean that a member has defaulted in the payments due under the terms of his mortgage and that the mortgaged property when disposed of by the association has failed to yield sufficient to pay off his indebtedness to the association? If so, let me point out that the Commission's recommendation is that, in such an unlikely eventuality, the liability of another member of the group to which the defaulter belongs be limited to \$500, if his loan is \$1,000, and not that it be \$1,500.

#### Co-operative Elevator Company.

"Your next group of misstatements concern the Saskatchewan Co-operative Elevator Company. You say that the amount of the company's government guaranteed credit has now grown to many millions, and there is no reason why it should not expand very much further. The first statement shows you to be indifferent to fact when you desire to create a false impression, and the second shows you to be lacking in ordinary business sense when considering a farmer's organi-

zation. The Saskatchewan government does not now and never has guaranteed credit to the Saskatchewan Co-operative Elevator Company to the extent of many millions.

"Moreover, there is one very good reason why such guarantee as the government may have given will not expand very much further. That reason is that some financial institutions, unlike some financial journals, apparently, know a satisfactory balance sheet when they see one and appreciate dealing with a concern that is efficiently managed and is doing an increasing business along legitimate lines. The Saskatchewan Co-operative Elevator Company never had a smaller proportion of its credit guaranteed by the government than it has to-day.

#### How Much Government Finances.

"Your logical conclusions based on the above misstatements is what one might expect—positive nonsense. The fact, of course, is that the Saskatchewan government finances the crop of the province to the extent at present of exactly \$1,301,499.39, which is the amount at present outstanding of the loans made to the company for construction purposes on the security of a first mortgage on all its elevators and the hypothecation of part of its uncalled subscribed stock. The company's business is expanding so fast that this amount may be increased somewhat from time to time, but repayments of principal will to an increasing extent offset any further loans. And I presume that in the strict sense for which you stickle, such an expenditure invested in permanent buildings even if for grain handling purposes is not regarded as part of the financing of the crop. If such be the case then the Saskatchewan government does not actually finance one bushel of the crop and the day of your logical conclusion must indeed be far distant.

"It is not necessary that I pursue this analysis of your statements any further. Enough has been said to show conclusively to any fair mind that your article is misleading and unfair. So long as western provincial governments confine their guarantees to the bonds of a railway company owned in and operated from Toronto they may guarantee bonds by the tens of millions of dollars and no concern for the provincial credit is shown by the financial press of Eastern Canada. Presumably they are then looking further afield than the provincial arena of politics and votes. But once let a western government even receive a report in which it is recommended that the provincial credit be used in a well-considered way and to a well-controlled extent to help relieve the basic industry of the province from a great handicap and, even before that government has time to announce whether it will seek to give effect to the recommendations, a howl of calamity and warning goes up from our mentors and self-constituted advisers in the east. Logical conclusions are drawn and we are solemnly assured that the new scheme will undoubtedly strain the credit of the province to the utmost.

#### Cart Before the Horse.

"What does your smug assurance that a proper co-operation among the farmers could be obtained by long-term mortgages at low rates of interest, *The Monetary Times* would be the first to give its hearty support to the scheme, mean? The scheme you purport to be discussing has no such object. Have you not put the cart before the horse? The scheme certainly is intended to secure long-term credit at a lower rate of interest by means of proper co-operation, and I fancy that if you only understood its provisions you would give it your hearty support.

"Your insinuation that if the commissioners gave proper attention to matters in Europe, they found that this desirable condition existed where there was not only a borrowing class but also a lending class in the same community, is surely premature, pending an opportunity at least, on your part, to read their full report. It might be answered with, if *The Monetary Times* gave proper attention to matters in Saskatchewan it would find that more than the unthrifty farmers are rightly growing tired of paying excessively high interest rates for mortgage credit. I should not care to so reply, however, for the event will prove that the commissioners did give proper attention to matters in Europe while there is already abundant proof that *The Monetary Times* has not given proper attention to matters in Saskatchewan.

#### European Governments do it.

"Moreover it is interesting to note in passing that the commissioners did not find in Europe that the desirable condition (of proper co-operation brought about by long-term mortgages at low rates of interest—which, presumably, when interpreted, means long-term mortgages at low rates brought about by proper co-operation!) existed only where there was not only a borrowing class but also a lending class in the same community. This is usually the case, but Danish land mortgage bonds, for instance, are issued in Berlin at the same time as in Copenhagen and find a ready market in Germany. And European governments, too, are not afraid of straining their credit by supplementing their huge war loans with