Government Loans to Farmers

By W. W. SWANSON

THE Hon. Martin Burrell's Bill for the "Advancement of Agricultural Instruction in the Provinces," in the drafting of which he was aided by Dr. C. C. James, has aroused a great deal of interest throughout the country; for it is felt that much more should be done not only for the farmer, but by the farmer, than is the case at the present time. It should be observed, also, that much futile discussion has arisen over the relatively small representation of farmers in the House at Ottawa; the inference being that their interests are not thereby sufficiently safeguarded. Mr. Peter McArthur, for example—that pungent, pastoral literary artist—laments that the farmers divide on party lines; and that they will, in all probability, in their blindness, continue to do so for a generation or two to come. Nevertheless, he is "hoping for a day when the votes of farmers will be used to send to Parliament clear-headed, broad-shouldered, upstanding representatives, who will insist on the rights of the men they represent, and deal justly with the other interests that go to make up the country. "By allowing themselves to be divided into two parties," continues Mr. McArthur, "the farmers cannot hope to get their full rights unless the party leaders are moved by a feeling of pity and agree to drop party differences for the time being. Isn't it about time the farmer realized that instead of being a patient drudge he is,

"'The demi-Atlas of this earth, the arm
And burgonet of men'"?

Mr. McArthur wants more farmers in Parliament because the rural population of Canada is almost double the population of the cities. He is inclined to scarify the present representatives: "Well-favoured they look, and alert and businesslike." He would change all this and inject new blood into the House by sending thither "clear-headed, broad-shouldered, upstanding young men," who, presumably, must carry the distinct aroma of the farm with them and the scent of the open fields and woods. A considerable clamour comes from the Grain Growers of the West to like effect.

All of which is futile and foolish. With just as much justice should our engineers, firemen, factory workers, ministers, teachers and each and every several calling demand special class representation to secure their particular "rights." Organization along the line that Mr. McArthur advocates would result simply in hammering a wedge between the East and West. Party discipline, party practice and party loyalty are the salvation of a democracy. The party makes for national solidarity, for unity, for national issues and national ideals. It means that we shall have statesmen of vision who can rise above parochial jealousies and class interests, to the end that the enkindling torch of brotherhood and the dignity of nationhood may crown their labours as a great reward. No class distinctions or privileges, but justice for all, must be the national watchword. But all this in passing.

It yet remains true that greater attention must be paid to the position of the farmer in this country, especially with regard to the conditions under which he can secure credit at the banks. During the past year I have made a special study of credit conditions in the West; and from bankers, business men and farmers have obtained facts that tend to disclose a serious state of affairs. Rates charged to farmers range all the way from eight to twelve per cent.; and of course loans of any considerable duration cannot be secured from the banks at all; recourse must be had to private lenders and to the loan companies.

It has been widely advocated that the farmers should be encouraged to form co-operative credit societies through Dominion legislation. This method of combining the credit of all for the benefit of each has attained wide dimensions in Germany, Belgium, Austria, France and Italy; and is beginning to flourish in India. In England its growth has been extremely slow; but it has been steady. In 1908 there were twenty credit banks affiliated to the Agricultural Organization Society; at the present time there are forty-two. The system has taken root in many States of the Union, and also in our own Province of Quebec.

It is beyond the scope of the present article to enter upon a description of the organization and working of the Credit Bank; that I must reserve for a future study. Its characteristic features only may be sketched. The kernel of the whole idea of the Co-operative Credit Bank is that personal character shall constitute a security as valuable as property. The Credit Bank is the "capitalization of honesty." It has a marked educational effect; it encourages responsibility and teaches the members of the organization the value of thrift and of the spirit of combination.

Briefly put, many members combine to secure, by their united credit, a fund of capital to be loaned for long terms to such farmers and small dealers as join the organization and subscribe to one or more shares. But little is to be expected by the farmers of the West, at present, from any such organization. New ideas everywhere take root slowly. Moreover, the population of the West is small and scattered. A relatively numerous population is essential for the proper functioning of such a bank. Some active spirit is required to start the bank and keep it going. Prospective members must be convinced that the liabilities they incur are merely nominal. Some there are who, in addition to all these difficulties, do not care to reveal their financial position to a committee of their neighbours. And, finally, the undoubted hostility of the big joint-stock banks will prove a serious obstacle; although the great banks have really little to fear. The result of the Credit Bank system is to create new business among people who have hitherto made no use of banking facilities at all. Where such banks have been established it has been found that they act as feeders to the larger business of the established banks.

For the reasons I have given it cannot be expected that much relief can be extended to the farmers, at the present time, by the organization of such institutions. But, obviously, something should be done to remedy existing conditions. It appears perfectly plain that the required help must come through government loans to farmers, somewhat along the lines followed in Australia.

All the Australian States have established systems under which financial aid is rendered to agriculturists by the government. The principle upon which such aid is founded was first applied in Germany, in 1770, when the *Landschaften Bank* was established. The founding of the *Credit Foncier* nearly a century later in France was a creation of similar character. Over the operations of this bank, created under government patronage and invested with such special privilege as to virtually constitute it a monopoly, the government exercised a direct control by appointing its governor and its two deputy-governors. The *Credit Foncier* was empowered to lend money only on a first mortgage, and to the amount of one-half of the estimated value of houses and farms, and one-third that of vineyards, woods, and other plantations, and the commission charged could not exceed six-tenths per cent. The system developed and adopted in Australia, with the object of assisting farmers to make improvements or to develop or utilize the agricultural or pastoral resources of the land, is analogous. Similar advances have been made by the States that have passed Closer Settlements Acts. The following table shows the sums advanced during the years 1908-1911:

State.	1908.	1909.	1910.	1911.
New South Wales.	£ 789,333	£1,061,625	£1,362,853	£1,617,192
Victoria	2,254,488	2,492,698	2,657,713	2,797,323
Queensland	153,228	187,014	235,793	306,944
South Australia..	1,233,264	1,386,153	1,544,946	1,796,762
Western Australia	743,598	1,004,575	1,257,182	1,540,241
Tasmania	....	5,987	9,187	14,610
Commonwealth ..	£5,173,911	£6,138,052	£7,067,674	£8,073,072

Aristotle said: "In order to live nobly one must first have the means to live." The Hon. Martin Burrell's Bill is splendid so far as it goes; but before instructing our pioneer farmers in the fine art and science of agriculture, why not extend them such relief as will permit them to live?

Central Gold Reserves

By Z. A. LASH

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WHEN it is said that Canada is on a gold basis and that nothing but gold and Dominion notes form a legal tender in discharge of a debt, it is not meant that nothing but gold or Dominion notes can be legally used as money. On the contrary, our bank notes, because of their convenience, form the bulk of our money in circulation. Our people are not used to handling gold coin, they prefer bank notes, and to enable the banks to supply what the people want and at the same time to preserve the gold basis and to keep down the note issues not represented as gold to the limits above mentioned, the bill before Parliament proposes to create what are called "Central Gold Reserves," and to allow a bank, in addition to its present powers, to issue notes to the amount of the current gold coin and Dominion notes which it has to its credit in these central reserves. The banks cannot make any profit from issuing notes against this gold. On the contrary, they suffer loss by such issue, because the notes representing the gold cost money to make; the gold itself is kept in vaults, idle, and the banks have to pay the expenses connected with administering the reserves. Yet the banks approve of this proposal in the bill and are willing to suffer the loss. As this may seem to the ordinary reader to be incredible, an explanation is called for. The plan proposed by the bill is as follows:

The Bankers' Association, with the approval of the Minister of Finance, will appoint three trustees and the Minister will appoint a fourth trustee. These four trustees are to receive such amounts in current gold coin and Dominion notes as any bank may desire from time to time to deposit with them. A bank may then issue notes in excess of its unimpaired paid-up capital (during the season of moving the crops referred to also in excess of the additional fifteen per cent. then allowed) to the amount at its credit with the trustees, and from time to time, as this excess circulation is reduced, the bank may withdraw an amount equal to the reduction, or may leave it still with the trustees as its own property, to be used for future excess circulation. The necessary provisions are made for ascertaining the circulation outstanding, and heavy penalties are imposed for any issue more than the amount allowed. Monthly statements are to be sent to the Minister by the trustees, showing the amounts on hand for and withdrawn by each bank on each day of the month, and the Minister must cause an inspection of the gold and Dominion notes on hand, and an audit of the trustees' accounts to be made at least twice a year. Should a bank become insolvent the amount held for it must be paid by the trustees to the liquidator and must be applied in redeeming its notes in circulation. The banks must pay the remuneration of the trustees and all expenses incidental to the establishment and maintenance of the central gold reserves.

As a rule, the reason why our banks cannot issue notes to the amount necessary to meet the public demand, is not that they have not the money, but because the amount they may issue is limited in the way above described. They might, of course, pay out gold instead of notes, but this would not suit our people.

THE public advantages from the establishment of the central gold reserves will be that our people will get the kind of currency to which they are used, in which wages are paid, and without which our crops and farm products cannot, in general, be conveniently purchased. The Government will be relieved from the expense connected with the issue of the $5 and other notes necessary to meet the public needs, the gold basis will be maintained, and no inflation of currency will ensue.

The direct advantage to the banks will be a matter of convenience only, not of profits, but the indirect advantage of having our currency maintained on a gold basis and Canada's credit kept on a par with that of the strongest financial nations of the world, cannot be overestimated. The convenience arises in this way: Every branch keeps on hand a certain amount of notes ready to be put into circulation as the business of the branch requires. As below mentioned, our banks have branches in about 1,457 different cities and towns in Canada. The accounts of the circulation outstanding from time to time must, of course, be kept at the head office and monthly returns thereof made to the Government. If a mistake be made, no matter how innocent or excusable, and if as a result the outstanding circulation is allowed to over-run the limit, a heavy

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